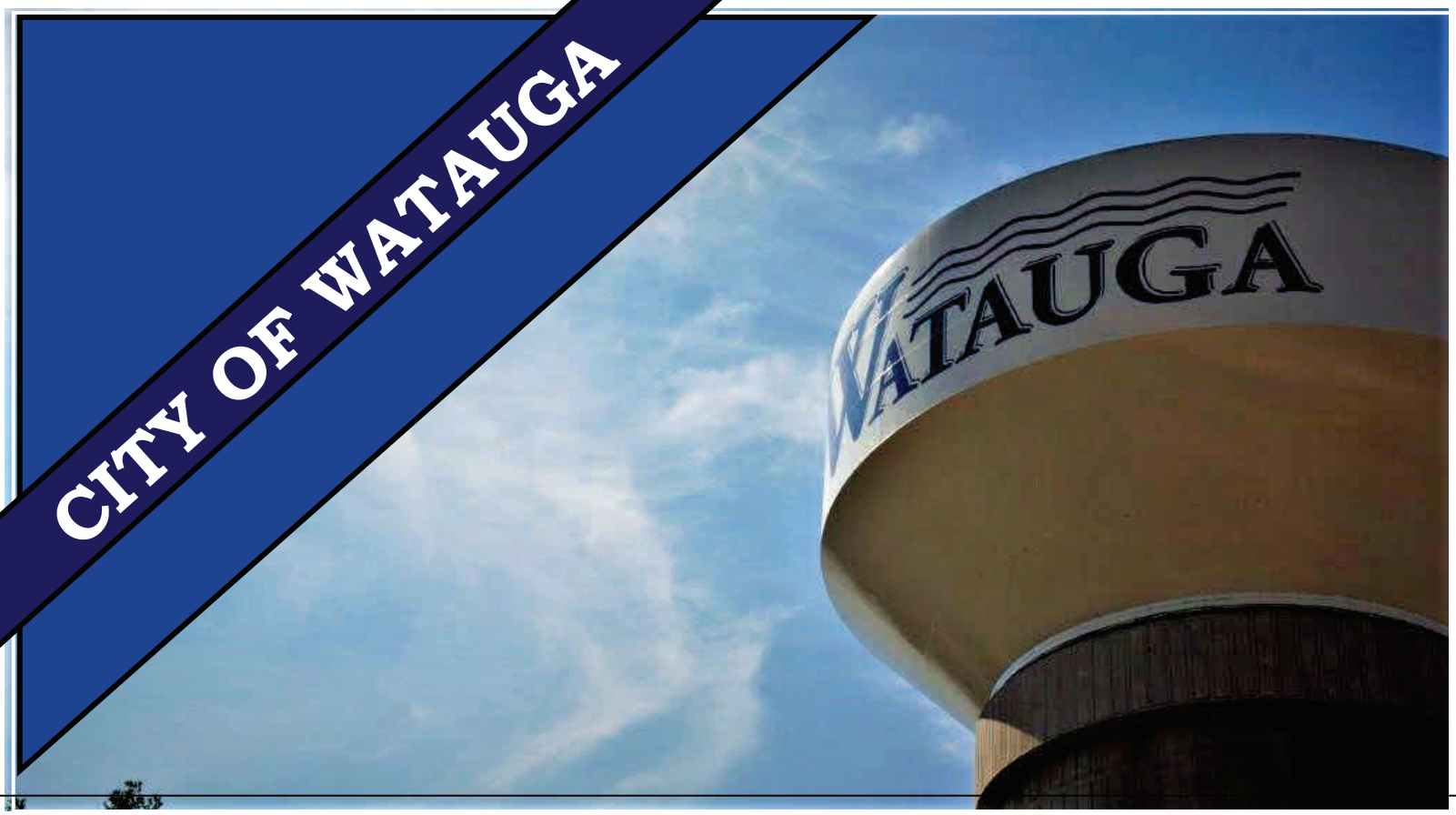
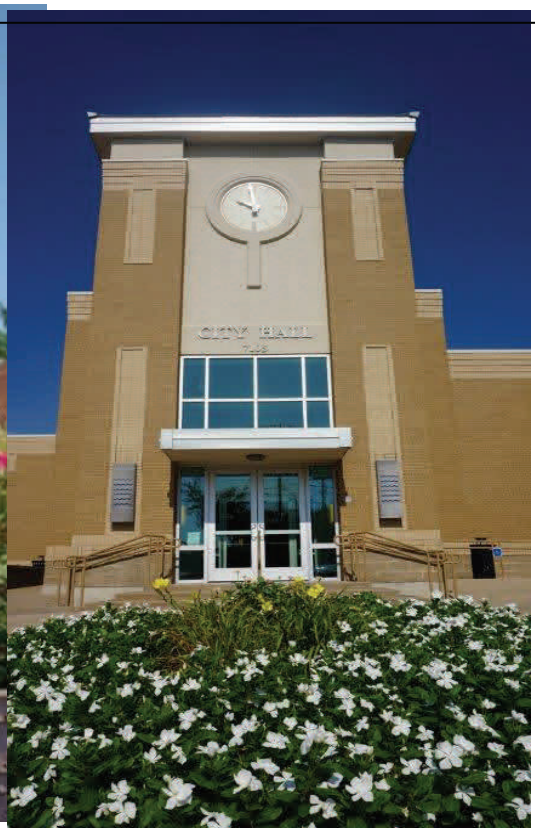
CITY OF WATAUGA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDING SEPTEMBER 30, 2019



CITY OF WATAUGA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2019

PREPARED BY

THE CITY OF WATAUGA

FINANCE DEPARTMENT

CITY OF WATAUGA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2019

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CITY OF WATAUGA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2019

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INTRODUCTORY SECTION

March 2, 2020

TO: Honorable Mayor Arthur L. Miner and
Members of the City Council
Citizens of the City of Watauga, Texas

It is with pleasure that we submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Watauga for the fiscal year ended September 30, 2019. We encourage you to thoroughly read this report and take the opportunity to discuss some of the important items it addresses.

As required by City of Watauga Charter Section 9.06 (C) and various other obligations including, but not limited to, bond covenants, "At the close of each fiscal year, and at such time as it may be deemed necessary, the Council shall cause an independent audit to be made of all accounts of the City by a certified public accountant. Upon completion of the audit, the results thereof in a summary form shall be placed on file in the City Secretary's office as a public record." Financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

This report provides the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City of Watauga has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the City of Watauga's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute assurance, that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Whitley Penn, LLP, a firm of licensed certified public accountants headquartered in Ft. Worth, Texas, audited the City of Watauga financial statements. The goal of the independent auditors was to provide reasonable assurance that the financial statements of the City of Watauga for the fiscal year ended September 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City of Watauga's financial statements for the fiscal year ended September 30, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A, and the two should be read in conjunction with each other. This report includes all of the funds and account groups of the City. It also includes all activities over which the City is considered to be financially accountable.

The Birdville and the Keller Independent School Districts (ISDs) provide elementary and secondary education services within the City. The City is not financially accountable for the districts and, accordingly, financial data for the school districts are not included in this report.

Profile of the City of Watauga, Texas

The City of Watauga is located in Tarrant County, one of the fastest growing counties in Texas, approximately 10 miles northeast of downtown Fort Worth and 25 miles northwest of downtown Dallas. The City's corporate boundary comprises a total of approximately 4 square miles and is approximately 96% developed. Watauga's population as established by the 2010 U.S. Census was 23,497 and was estimated by the North Central Texas Council of Governments at 23,770 as of January, 2019.

The City of Watauga Home Rule charter was adopted on January 19, 1980, and was last amended in November, 2019. The City operates under a Council-Manager form of government, with the Governing Body comprised of eight members including the Mayor. The Governing Body is responsible for adopting ordinances and regulations governing the City, adopting the budget, determining policies, and appointing the City Manager, City Attorney, Municipal Court Judge, City Secretary, as well as members of boards and commissions. The City Manager appoints the Department Heads and the Council approves or disapproves the Department Head position appointments of the City Manager. The City Manager is responsible to the Governing Body Council and is responsible for the daily management of the City.

Services Provided

The primary government provides a full range of services including general government administration, police and fire protection, emergency ambulance service, street maintenance, building inspection services, community development, library services, park and recreational activities, and the maintenance and operations of City-owned buildings. The City also has two enterprise funds for operations and management of its Drainage and Water/Sewer Systems. Private contractors, through franchise agreements, provide solid waste and recycling collections and disposal services for the City.

Accounting System and Budgetary Control

The City's accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or good are received and the liabilities are incurred. Accounting records for the City's proprietary activities are maintained on an accrual basis.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The various funds are grouped by type in the financial statements. As of September 30, 2019, there were twenty-seven (27) funds, of which some are combined for reporting purposes bringing the number to fifteen (15) funds. A description of the major funds and their purpose can be found in Note 1 of the Notes to General Purpose Financial Statements.

The City Charter requires the City Manager to submit a proposed budget for the fiscal year beginning October 1 to the City Council by August 1 each year, and provides for Council adoption of the budget by September 15. Prior to August 1, the City Manager and City department heads prepare expenditure/expense estimates for the remainder of the current fiscal year and for the ensuing fiscal year, and these are compared to estimates of revenue for the same periods. Included in the assessment is the Capital Improvements Projects or CIP program. This program is a five-year plan of major capital programs which may include infrastructure, equipment, buildings, land, or other major expenditures. Adjustments are made to the departmental expenditure/expense estimates as necessary to ensure that the proposed budget is balanced within total estimated income as required by the City Charter.

Following adoption of the budget by the City Council, the City Manager and department heads monitor expenditures/expenses and revenues throughout the year to ensure that the integrity of the budget is maintained. The Charter allows the City Manager to transfer appropriation balances among programs within a department, and provides for transfers of appropriation balances from one department to another upon approval of an ordinance by the City Council. The City Council may make amendments to the budget for unforeseen needs or emergencies. The City Manager is required to make monthly reports to the Council concerning the financial condition of the City.

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Economic Outlook and Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Watauga operates.

Watauga is located in North Central Texas in Northeast Tarrant County, and is surrounded by the cities of Keller, Fort Worth, Haltom City, and North Richland Hills. The economy of the area is based upon diversified manufacturing and service industries, and agriculture. With its highly diversified economy, Dallas Ft. Worth has a population of over 7.6 million, a Gross Metropolitan Product of $620 billion, a labor force of over 3.6 million, a 2.6% job growth rate, twenty-five Fortune 500 Firms, and college enrollment of almost 333,000. Economic conditions in the Metroplex continue to be influenced by the development and operation of the Dallas-Fort Worth International Airport, which is located only 10 miles to the southeast of Watauga. The airport, which celebrated its 45th anniversary in 2019, covers approximately twenty-seven square miles and represents one of the largest facilities of its kind in the world. The airport provides in excess of 228,000 jobs and contributes over $37 billion to the local economy, and $12.5 billion in payroll. (SOURCE: DFW website www.dfwairport.com Fast Facts.

The Alliance Texas development in North Fort Worth is a 26,000-acre master-planned, mixed-use community which is home to more than 500 companies, 61,000 plus employees, and is anchored by the inland port known as the Alliance Global Logistics Hub. This area offers a variety of commercial real estate options, industrial space, office space, and retail facilities and had a $77 billion impact in North Texas since its inception. (www.allianceairport.com Alliance Texas Facts).

The City's financial position is strong, and the immediate future looks bright with the Dallas Ft. Worth economy continuing to expand. Total certified taxable value, not including estimated value for property under protest, for all residential and commercial property in the City was approximately $1.4 billion for fiscal year 2019, a 9.2% increase from the previous year. During FY2019, a 55-home development was completed and $17 million in new construction was added to the City's property values. A 70-home single family residential development is currently under development and additional commercial developments are in the planning states. Sales tax collections totaled $6.0 million in fiscal year 2019, a 2.8% increase from the previous fiscal year.

The Dallas-Fort Worth Metroplex (DFW) economy continued to grow at a moderate pace in 2019 and unemployment was held steady near record lows. The Federal Reserve Bank of Dallas reported in their December 2019 Dallas-Fort Worth Economic Indicators update:

"*Dallas–Fort Worth economic growth remained solid in December. Payroll employment grew at a rapid clip, and unemployment stayed low. The Dallas and Fort Worth business-cycle indexes expanded further. Apartment leasing and construction continued to be active. Demand for office and industrial space remained strong, with net absorption accelerating in fourth quarter 2019".*

Future Economic Outlook

For fiscal year 2020, property valuations increased 13.8%, with a 14% increase in residential property and a 15% increase in commercial properties. Continued growth in valuations is expected to continue, but we are forecasting more moderate increases in future years. According to the Emerging Trends in Real Estate for 2020 report from PricewaterhouseCoopers and the Urban Land Institute, the Dallas-Fort Worth Metroplex ranked as the sixth highest market for overall real estate prospects in 2020 out of 80 other cities nationwide.

Sales tax is the City's second largest General Fund revenue and also one of its most volatile. In FY2018-19, the City experienced increases in sales tax receipts due to various factors, including construction activity in the City. However, sales tax fluctuations and volatility are hard to predict and through December, fiscal year 2020 sales taxes have increased by 1% compared to the same period in fiscal year 2019. In the FY2019-2020 Budget Year, Economic Development funding (Type B Sales Tax) has been dedicated to efforts to maintain and grow the City's sales tax base. According to various retail reports, more and more consumers are buying goods on-line and consumers and spending more on services and less on material goods. The transition in the retail market and emergence of on-line retailer and marketplaces is well under way. With the 2019 U.S. Supreme Court ruling for online sales and the Texas Comptroller's anticipated Rule on how Texas will handle the sales tax from online sales, the impact of such changes is expected to

yield increases in sales tax revenues. Although the Texas Comptroller change to Rule 3.334 is expected to be favorable to the City of Watauga, City Administration continues to seek opportunities to grow the City's sales tax base, thus an update to the City's Comprehensive Land Use Plan is currently being considered by the governing body. If approved, such an update would place emphasis on redevelopment. Planning initiatives for re-development and improvement of certain aging corridors in the City are of primary focus and funding is continued for budget year 2019-20.

Watauga's economic future is not without challenges. New development in Watauga is expected to be minimal as the City is approximately 96% developed. The City is has entered a phase where revenue growth appears to be slowing down, while requests for services and infrastructure replacement for streets and utility needs will increase. However, the shift in focus from new development to redevelopment is anticipated to bring a needed boost to sales tax revenue. The near build-out status of the City requires a strategic approach to attracting new development and revitalization. The City Council has adopted Strategic Initiatives that will enable the City to move in a positive direction. These strategic initiatives include maintaining the financial strength of the City, developing a sustainable economic development effort, and strengthening future planning.

Although the economy is strong, the harmful actions of the Texas State Legislature in passing City-related bills during the 2019 session will have a significant impact on the City's revenues. These include Property Tax legislation, the banning of Photographic Enforcement cameras, Cable and Telecom Franchise Fee reductions, and various unfunded mandates. The City will need to look at other sources of revenues to replace those lost due to the passing of these bills.

Long-Term Financial Planning

The City has maintained its fund balances to insure that the needed resources are available to provide for current operations and unexpected situations. The City has enhanced its long-term financial planning as well in FY2020 to include various long-term planning tools. These tools include:

1) A 5-year Capital Improvement Plan that details current and future infrastructure projects;
2) A Multi-year Capital Outlay Plan that provides a 5-year plan to identify timing of replacement and sources of funding for major equipment, vehicles, and technology City-wide;
3) A Personnel Improvement Plan to identify personnel staffing needs and year of possible funding; and a
4) A Multi-year Financial Forecast which forecasts revenue trends and expenditure estimates in a 5-year Plan.

Such strategic planning has allowed the City Council to fund several major infrastructure upgrades, park enhancements, capital purchases, and personnel needs in a systematic manner while considering the full impact to the operating budget and tax requirements. The City of Watauga intends to continue with an orderly and well-planned program of community service in FY2019-20 and subsequent years. Working within the framework of current financial constraints, the City will focus on infrastructure needs such as upgrades/maintenance of the water/sewer system, street projects, drainage projects and revitalization/redevelopment projects in the upcoming fiscal year and beyond.

Fiscal policies provide for the General Fund reserve to not go below 25% of the General Fund expenditure budget. At the end of the current year, the City was in compliance with this policy with the reserve at 32% of next year's budgeted expenditures. .

Major Initiatives

The City has completed several projects in the past year and has many others underway. The City believes it is critical that the street, water, wastewater, and drainage systems are properly maintained and systematically upgraded. The City's 5-year Capital Improvement Plan (CIP) addresses the infrastructure needs throughout the City. Over the past several years, water and wastewater improvement projects have been completed and more projects are underway. These projects are funded through the 2017 and 2019 Certificates of Obligation proceeds and will include replacement of wastewater lines throughout the City that have a high amount of inflow and infiltration. This replaces the aging clay piping with Polyvinylchloride (PVC) piping in the older parts of the City. Major drainage projects are underway and are funded by Storm Drain Fund Revenues and will continue over the next several years.

The City's Parks Master Plan focuses on improving the quality of life for the community, including park amenities and upgrades, trails, and facilities such as the expansion of the Senior Center that was completed in FY2016-2017. Projects currently in progress include additions of shade structures, replacement of park lighting at Capp Smith Park, and bridge and trail improvements at Foster Village Park. The 2018 Certificates of Obligation proceeds will provide funding for a splash pad, enhancement to the City's trail system, and various street projects such as Whitley Road and Bowie Street. These projects will continue over the next several years.

The Green Ribbon Beautification Project for Highway 377 continues and will help to improve the image of Watauga as well as properties along the highway. The City has been awarded its second Texas Department of Transportation (TXDOT) Green Ribbon Landscape grant to beautify the western portion of the Denton Highway right-of-way. The $400,000 grant is to be used for landscaping and irrigation.

The continued use of the Equipment Replacement Fund will fund purchases and replacements of some of the City's equipment, vehicles, technology, and facility needs. The City enhanced the use of an Equipment Replacement Fund to level and plan the purchases of equipment and capital items that meet certain cost thresholds and a minimum useful life.

Awards and Acknowledgements.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga for its comprehensive annual financial report for the fiscal year ended September 30, 2018. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Watauga has received a Certificate of Achievement for the last thirty-four consecutive years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Watauga also received the GFOA's Distinguished Budget Presentation Award for our annual budget document for the fiscal year beginning October 1, 2018. This is the thirtieth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The City of Watauga also received its eighth consecutive Government Treasurer's Organization of Texas' Investment Policy Certificate of Distinction award. The Government Treasurer's Organization of Texas conducts an Investment Policy Certification program, which is designed to provide professional guidance in developing an investment policy and to recognize outstanding examples of written investment policies. This is awarded to those entities that have developed an Investment policy, which meets established criteria. The Certificate is awarded for two years and then may be renewed upon review. The City plans to apply for this award again in FY2020.

In conclusion, we wish to thank the City Council for their continued leadership and support in planning and conducting the financial operations of our City in a responsible and efficient manner. We also want to thank each person who has contributed to the preparation of this comprehensive annual financial report and the financial achievements reflected herein. And finally, we wish to express our appreciation to each City employee for his or her loyalty and dedication, as demonstrated during the past fiscal year.

Respectfully submitted,

Andrea Gardner
City Manager

Sandra Gibson, CGFO, CGFM
Director of Finance

CITY OF WATAUGA, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2019

Elected Officials	Position	Term Expires
Arthur L. Miner	Mayor	2021
Mark Taylor	Mayor Pro Tem, Council Member - Place 6	2020
Scott Prescher	Council Member - Place 1	2020
Tom Snyder	Council Member - Place 2	2020
Lovie Downey	Council Member - Place 3	2021
Andrew Neal	Council Member - Place 4	2021
Juanita King	Council Member - Place 5	2021
Kim Irving	Council Member - Place 7	2020

Appointed Officials	Position
Andrea Gardner	City Manager/City Secretary
Russell, Rodriguez, Hyde, & Bullock, LLP	City Attorney
Paul Hackleman	Public Works Director
Lana Ewell	Library Director
Sal Torres	Parks and Community Services Director
Robert Parker	Police Chief
Shawn Fannan	Fire Chief
Sandra Gibson	Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Watauga

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

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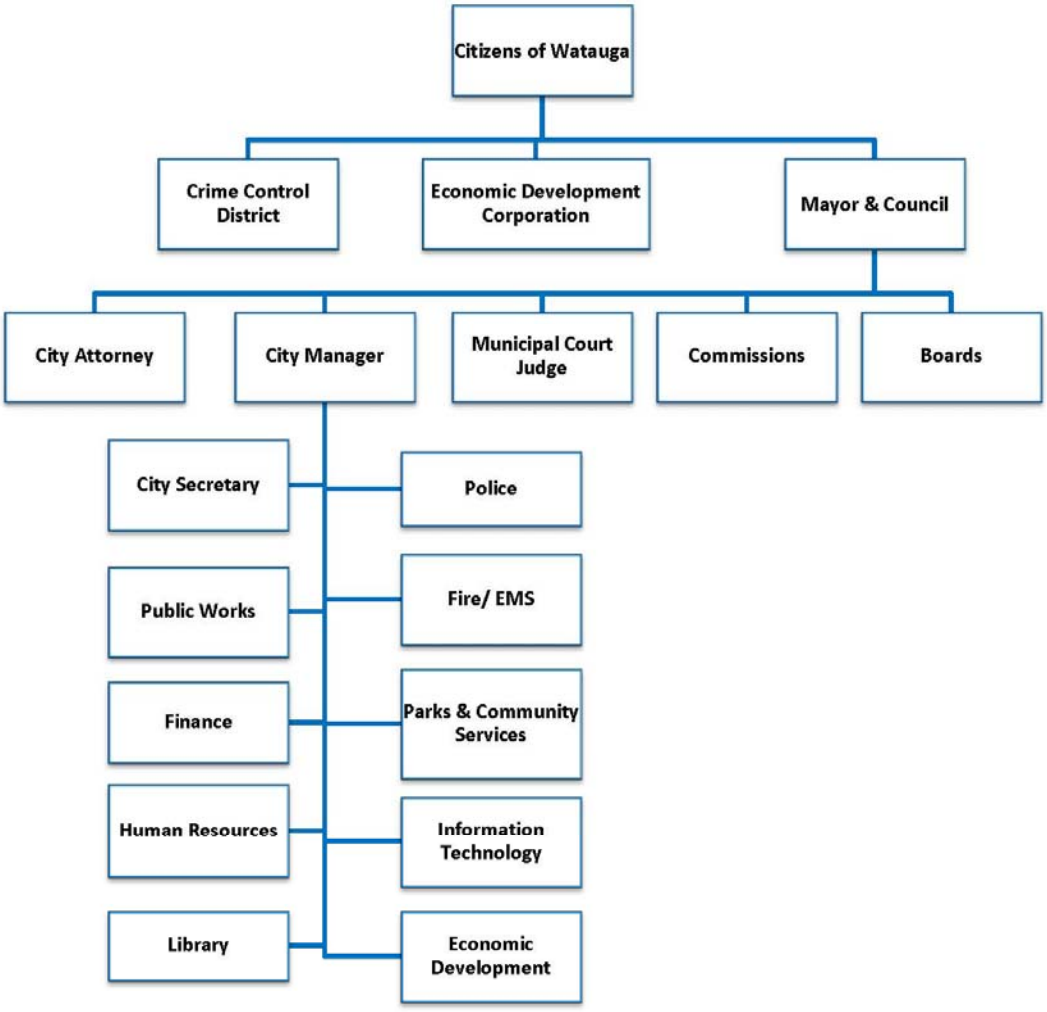
ORGANIZATIONAL CHART

City of Watauga



FINANCIAL SECTION

whitleypenn

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Suite 2200
Fort Worth, Texas 76102
817.259.9100 Main

whitleypenn.com

REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and
Members of City Council
City of Watauga, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Watauga, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 12, budgetary comparison information on pages 58 to 59, and pension and OPEB information on pages 60 to 62, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund statements and schedules are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information in the introductory section and statistical section listed in the foregoing table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Whitley Penn LLP

Fort Worth, Texas
March 2, 2020

On behalf of City Council, we, as management of the City of Watauga, offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2019. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets, and the City's desirability will be maintained not just for the current year but well into the future.

Financial reporting is limited in its ability to provide the "big picture" but rather focus on financial position and changes in financial position. In other words, are revenues and/or expenditures higher or lower than the previous year? Have net position or fund balances of the government been maintained? Readers are encouraged to consider the information presented here in conjunction with our Letter of Transmittal and the Statistical Section which can be found on pages i-v and pages 83-103 of this report respectively. Also, you may review additional information on the annual budget and other community facts and figures on the City's website at www.cowtx.org.

Please note that the Report of Independent Auditors describes the auditor's association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited.

Financial Highlights

- At September 30, 2019, Government-Wide Total Assets and Deferred Outflows of Resources exceeded Total Liabilities and Deferred Inflows of Resources by $72,999,451 (Net position). The vast majority of the City's net position of $63,058,514 (86.4%) is net investment in capital assets and most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position restricted for specific purposes totaled $4,779,207 (6.5%). The remaining $5,161,730 (7.1%) net position is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased $677,474 from the prior year.

- The City's total capital assets (net of accumulated depreciation) decreased by $552,117 which is primarily attributed to current year depreciation expense and asset retirements exceeding completion of capital improvement projects and other asset additions.

- The City's total long-term debt increased by $6,158,355, or 16.7%, due to an issuance of Combination Tax and Limited Pledge Revenue Certificates of Obligations in the amount of $8,490,000 for capital improvements less scheduled principal payments.

- The City's long-term liabilities increased $10,643,755, or 19.2%, during the fiscal year due to the issuance of debt listed above and an increase in the net pension liability. The accounting standards for pensions will reflect more volatility in the amount of the liability recorded in the financial statements from year to year.

- Governmental activities realized a decrease in total net position of $87,492 and business-type activities realized an increase in total net position of $185,168 bringing the total increase in net position for the City to $97,676.

- Total Governmental Funds ending fund balance was $19,608,452, a decrease of $18,749 in comparison to the prior year. This was due primarily to increased spending in the Capital Projects fund; fund balance decreased by $201,978 during the fiscal year. The Unassigned General Fund balance was $4,317,018 or 33% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

We intend this discussion and analysis to serve as an introduction to the City of Watauga's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Watauga's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Watauga that are 1) principally supported by taxes and intergovernmental revenues (governmental activities), and 2) functions that are intended to recover all or a significant portion of their costs through their user fees and charges (proprietary or business-type activities). The governmental activities of the City include General Government, Police, Fire/EMS, Culture and Recreation, and Public Works. The proprietary or business-type activities of the City include Water/Sewer and Drainage system activities.

The government-wide financial statements include not only the City of Watauga, itself (known as the primary government), but also include the Watauga Economic Development Corporation (WEDC) and the Watauga Crime Control and Prevention District (WCCPD), which are legally separate but financially accountable to the City. A blended presentation is used to report the financial information of these component units. The financial information for the individual component units is available from the City.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental, (2) proprietary, and an (3) internal service.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service, and Capital Project funds, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget. Budgetary comparison schedules have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds. The City maintains two major proprietary or enterprise funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer and Drainage activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for some of its equipment replacement. Because these services predominately benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water/Sewer and Drainage, both of which are considered to be major funds of the City. The Internal Service Fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-56 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required Supplementary Information (RSI) can be found on pages 58-62 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found on pages 66-79 of this report.

Government-Wide Financial Analysis

Total Assets of the City are $128,543,239. Capital assets, net of depreciation, represent the largest portion of the City's assets ($81,033,052 or 63.0%) and include land, buildings, improvements, equipment, infrastructure, and construction-in-progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As noted earlier, Net Position may serve as a useful indicator of a government's financial position. As of September 30, 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $72,999,451 (Net Position).

At year end, the City's Net Investment in Capital Assets is $63,058,514. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position is $4,779,207 or 6.5% of total net position, and represents resources that are subject to external restrictions on how they may be used. The remaining balance of total net position is unrestricted ($5,161,730 or 7.1%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, there was an increase of $97,676 in total net position during the fiscal year as a result of the City's operations. Governmental activities showed a decrease of $87,492, while Business-type activities showed an increase of $185,168 as a result of the City's operations.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 23,723,792	$ 23,242,022	$ 23,786,395	$ 16,647,235	$ 47,510,187	$ 39,889,257
Capital assets	48,359,549	49,744,551	32,673,503	31,840,618	81,033,052	81,585,169
Total Assets	72,083,341	72,986,573	56,459,898	48,487,853	128,543,239	121,474,426
Deferred outflows of resources	4,201,465	1,754,642	801,860	329,505	5,003,325	2,084,147
Long-term liabilities outstanding	30,519,259	28,337,403	24,855,398	16,393,499	55,374,657	44,730,902
Other liabilities	1,452,858	1,449,243	1,802,442	1,846,074	3,255,300	3,295,317
Total Liabilities	31,972,117	29,786,646	26,657,840	18,239,573	58,629,957	48,026,219
Deferred inflows of resources	1,653,037	2,207,425	264,119	423,154	1,917,156	2,630,579
Net position:						
Net investment in capital assets	38,606,089	38,660,904	24,452,425	23,944,294	63,058,514	62,605,198
Restricted	4,779,207	4,457,373	-	-	4,779,207	4,457,373
Unrestricted	(725,644)	(371,133)	5,887,374	6,210,337	5,161,730	5,839,204
Total Net Position	$ 42,659,652	$ 42,747,144	$ 30,339,799	$ 30,154,631	$ 72,999,451	$ 72,901,775

As of September 30, 2019, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities, except for unrestricted net position in governmental activities. This is due to the net pension and net OPEB liabilities.

Condensed Statement of Change in Net Position

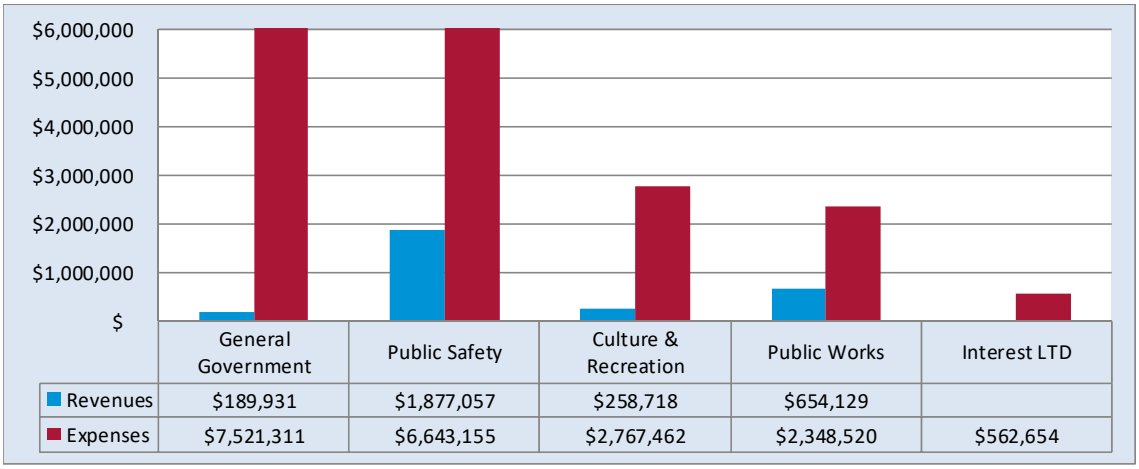
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Fees, fines and charges for services	$ 2,957,595	$ 3,159,066	9,693,113	9,674,907	$ 12,650,708	$ 12,833,973
Operating grants and contributions	22,240	38,350	-	-	22,240	38,350
General revenue						
Property taxes	8,033,015	7,430,079	-	-	8,033,015	7,430,079
Sales taxes	6,013,849	5,850,480	-	-	6,013,849	5,850,480
Franchise taxes	989,642	925,895	-	-	989,642	925,895
Payment in lieu of taxes	479,086	497,961	-	-	479,086	497,961
Penalties and interest	39,218	35,044	-	-	39,218	35,044
Interest on investments	589,104	280,383	353,387	222,974	942,491	503,357
Miscellaneous revenue	55,275	8,946	2,525	-	57,800	8,946
Total Revenues	19,179,024	18,226,204	10,049,025	9,897,881	29,228,049	28,124,085
Expenses						
General government	7,521,311	5,584,813	-	-	7,521,311	5,584,813
Public safety	6,643,155	5,808,608	-	-	6,643,155	5,808,608
Culture and recreation	2,767,462	2,610,257	-	-	2,767,462	2,610,257
Public works	2,348,520	2,879,680	-	-	2,348,520	2,879,680
Interest on long-term debt	562,654	381,932	-	-	562,654	381,932
Water and sewer	-	-	8,220,965	6,707,331	8,220,965	6,707,331
Drainage Utility	-	-	1,066,306	1,015,534	1,066,306	1,015,534
Total Expenses	19,843,102	17,265,290	9,287,271	7,722,865	29,130,373	24,988,155
Increase (decrease) in net position before transfers	(664,078)	960,914	761,754	2,175,016	97,676	3,135,930
Transfers	576,586	543,961	(576,586)	(543,961)	-	-
Increase (decrease) in net position after transfers	(87,492)	1,504,875	185,168	1,631,055	97,676	3,135,930
Net position - beginning	42,747,144	42,306,218	30,154,631	28,747,776	72,901,775	71,053,994
Prior period adjustment	-	(1,063,949)	-	(224,200)	-	(1,288,149)
Net position - ending	$ 42,659,652	$ 42,747,144	$ 30,339,799	$ 30,154,631	$ 72,999,451	$ 72,901,775

Governmental activities. Governmental activities total decrease in net position was $87,492 or 0.2% decrease from the prior year. Key elements of activity changes from the prior year are as follows:

- Total revenues increased by $952,820 or 5.2% from the prior year, In general revenues, property taxes increased $602,936 due to an increase in assessed property valuations. Additionally, sales tax revenues increased by $163,369, or 2.8%, and interest income increased $308,721. Fees, fines and services revenues decreased by $201,471 over prior year, primarily due to a decrease in fines resulting from fewer citations issued in comparison with prior year.

- Expenses increased by $2,577,812 or 14.9%. Public safety expenditures increased by $834,547, or 14.4%, primarily due to personnel increases and the addition of an additional line of supervision (Corporals) during the year, increases to the City's pension plan, and other general cost increases.

Revenues and Program Expenses – Governmental Activities



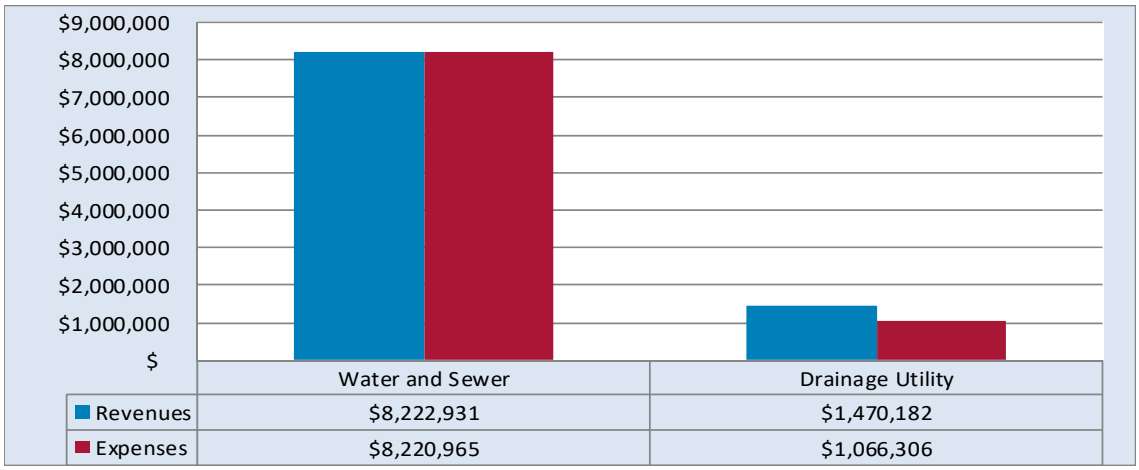
	General Government	Public Safety	Culture & Recreation	Public Works	Interest LTD
Revenues	$189,931	$1,877,057	$258,718	$654,129	
Expenses	$7,521,311	$6,643,155	$2,767,462	$2,348,520	$562,654

Business-type activities. Business-type activities increased the City's net position by $185,168, or 0.6% increase from the prior year.

Significant changes from the prior year include:

- Increase in long term liabilities outstanding by $7,690,520, or 50.6% due to the issuance of Combination Tax and Limited Pledge Revenue Certificates of Obligations in the amount of $8,065,000 for capital improvements less scheduled principal payments.
- Total revenues increased by $151,144 due to an increase in water and sewer rates during the fiscal year and an increase in investment earnings.
- Total expenses increased by $1,564,406. This was due increase in water purchases and sewage disposal fees.

Revenues and Program Expenses – Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Watauga's governmental funds reported a combined ending fund balance of $19,608,452, which is a decrease of $18,749 from the prior year. Unassigned fund balance is $4,317,018 or 22% of the total governmental fund balance and is available for spending at the government's discretion. The remainder of fund balance is in the form of 1) non-spendable for inventories ($20,776) and prepaid items ($96,058), 2) restricted for capital acquisitions and contractual obligations ($10,576,461), retirement of fund indebtedness ($659,604), culture and recreation ($922,784), public works ($1,483,538) and public safety ($1,532,213).

The general fund is the primary operating fund of the City. The fund balance has decreased by a net $153,218 over the prior year, to $4,418,341. This was due to an increase in personnel expenditures and one-time capital equipment purchases.

The G.O. Debt Service fund balance decreased by $51,299 over the prior year, to $659,604 as a result of increased principal and interest payments.

The Capital Projects fund saw a decrease of $201,978 in ending fund balance primarily due to expenditures for capital equipment, street improvements, park projects and various other capital projects throughout the City.

The non-major governmental funds showed a combined $387,746 increase in fund balance from the prior year. This was primarily due to increase in revenue and decrease in expenditures in the Street Maintenance Sales Tax Fund.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective proprietary funds are Water/Sewer at $1,527,343 and Drainage Utility at $4,360,031. The proprietary funds had a combined net position increase of $146,127 as a result

of operations. The Water/Sewer fund had a decrease in the net position of $289,201, while the Drainage Utility fund had a net position increase of $435,328 as a result of operations.

Budgetary Highlights

Actual total general fund expenditures were under budget for FY 2019. There was an overall positive variance with final budget for the General Fund of $138,012. A major component in this positive variance was lower than forecasted expenditures of $437,290. This was primarily due to salary savings in the Police department as a result of various positions not being filled throughout the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2019, amount to $81,033,052 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total decrease in the City's capital asset investment for the current fiscal year was 0.7%.

Major capital asset events during the fiscal year included the following:

- Projects that were included in Construction in Progress in FY2018 which were completed this fiscal year include the following:
  - Water Tower Resurfacing Project in an amount of $260,731
  - Overlay Project which includes improvements of six streets in an amount of $489,420
- New Projects that began in FY2018-19 and were added to Construction in Progress included:
  - Bowie Street added $22,310 to Construction in Progress
  - Sanitary Sewer Evaluation Study - Phase Two added $65,131 to Construction in Progress
- Prior Year Projects that increased the Construction in Progress included:
  - The Splashpad project increased by $1,339 bringing the total CIP for the project to $26,002
  - Capp Smith Park Retaining Wall continued with an increase of $2,588 in Construction in Progress, bringing the total CIP for the project to $48,168
  - Whitley Road – Phase Two increased by $516,300 in Construction in Progress, bringing the total CIP for the project to $801,100
  - The Starnes Road Waterline Replacement Project increased by $853,851 in Construction in Progress, bringing the total CIP for the project to $957,851
  - CDBG 44th Year increased by $25,950, bringing the total CIP for the project to $28,450
  - The Meadowlark Lane East water and sewer line improvements increased by $34,485, bringing the total CIP for the project to $120,395
  - Whitley Road – Phase Three continued with an increase of $54,738, bringing the total CIP for the project to $301,059
- Other projects that were completed in FY2019 for a total of $827,527 include:
  - Parks projects to include sidewalk repairs at various parks in the amount of $10,000, Foster Village Park paving improvements for a total of $49,800, and shade structures at BISD and Indian Springs Parks for a total of $47,105
  - Infrastructure improvements (street overlays, sidewalks) in the amount of $281,190
  - City Hall and Police Station HVAC unit replacements in the amount of $28,425
  - Installation of a new school zone flasher in the amount of $8,455
  - Continuation of Storm Drain Channel Improvement program in the amount of $16,343
  - Building improvements to include the Water Tower fire alarm system replacement in the amount of $34,850 and the Fleet Bay Doors replacement in the amount of $32,250
  - Police vehicle replacements in the amount of $319,108

Additional information on the City's capital assets can be found in Note 4 of this report.

Schedule of Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	$ 19,019,600	$ 19,019,600	$ 91,000	$ 91,000	$ 19,110,600	$ 19,110,600
Construction in progress	369,320	747,492	2,277,861	785,223	2,647,181	1,532,715
Buildings and improvements	16,094,687	16,493,455	2,100,141	2,163,816	18,194,828	18,657,271
Improvements other than buildings	350,154	358,430	-	-	350,154	358,430
Equipment	3,228,808	3,522,728	632,369	678,407	3,861,177	4,201,135
Drainage improvements	-	-	8,565,950	8,917,869	8,565,950	8,917,869
Infrastructure	9,296,980	9,602,846	-	-	9,296,980	9,602,846
Waterworks and sanitary sewer system	-	-	19,006,182	19,204,303	19,006,182	19,204,303
Total Capital Assets	$ 48,359,549	$ 49,744,551	$ 32,673,503	$ 31,840,618	$ 81,033,052	$ 81,585,169

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $41,100,000. This entire amount comprises debt backed by the full faith and credit of the government.

Other debt includes $313,920 owed to the City of North Richland Hills for the City's portion of a joint agreement on street repair, and $2,962,561 in Compensated Absences for employee earned, but unpaid, vacation and sick leave.

During the current fiscal year, the City's total debt increased by $6,158,355, which was mainly due to an issuance of Combination Tax and Limited Pledge Revenue Certificates of Obligations, Series 2019.

Schedule of Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	$ 1,105,000	$ 1,605,000	$ 6,800,000	$ 7,080,000	$ 7,905,000	$ 8,685,000
Certificates of obligation	18,085,000	19,040,000	15,110,000	7,575,000	33,195,000	26,615,000
Notes payable	313,920	379,687	-	-	313,920	379,687
Unamortized bond premium	581,822	593,220	982,265	546,745	1,564,087	1,139,965
	$ 20,085,742	$ 21,617,907	$ 22,892,265	$ 15,201,745	$ 42,978,007	$ 36,819,652

Additional information on the City's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budgets and Rates

In the Fiscal Year 2020 Budget, General Fund revenues are budgeted to increase by 5.3% from the Fiscal Year 2019 final budget, with ad valorem taxes making up 45% of General Fund budgeted revenues. Certified assessed valuations, including estimated values on properties under protest, increased 13.8% for the fiscal year 2019 budget compared to a 9.2% increase in the previous year's budget. In response to the growth, the City Council reduced the tax rate for FY2019-20 to $0.58050, a decrease of $0.02166 from last year's tax rate.

A significant portion of the city's general operating revenue is derived from sales tax and the City experienced increases of 2.5% in FY2018-19 from prior year. In FY2019-20, sales tax revenues are budgeted to increase 2.0% over prior year. Efforts to maintain and grow our sales tax base continue to be a high priority and is evidenced by the shift in sales tax (Type B) funding from Parks to Economic Development initiatives in the FY2019-20 budget year.

Many capital improvement projects are underway in the City at this time. Several major water/wastewater system infrastructure projects continue for next year and beyond. Funding for other street and park projects is in place for projects that are scheduled to begin in the next budget year.

The Water and Sewer Operating Fund is budgeted in fiscal year 2020 to operate at a net surplus of $252,000 in order to move towards restoring the fund balance reserves to the financial standards. Rate increases were put in place in FY2018-19 (March, 2019 and September, 2019) that will help meet the escalating costs of wastewater treatment and water distribution. Another rate review is scheduled for the Spring 2020.

Request for Information

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Sandra Gibson, CGFO, CGFM, Director of Finance and Administration by phone at 817-514-5822, or by email at sgibson@cowtx.org.

BASIC FINANCIAL STATEMENTS

CITY OF WATAUGA, TEXAS
GOVERNMENT WIDE - STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 6,752,748	$ 4,099,377	$ 10,852,125
Investments	15,161,905	17,820,752	32,982,657
Receivables, net of allowance for uncollectibles	1,692,305	1,789,166	3,481,471
Inventories	20,776	59,255	80,031
Prepaid items	96,058	17,845	113,903
Capital assets:			
Not subject to depreciation	19,388,920	2,368,861	21,757,781
Subject to depreciation	28,970,629	30,304,642	59,275,271
Total Capital Assets	48,359,549	32,673,503	81,033,052
Total Assets	72,083,341	56,459,898	128,543,239
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - OPEB	63,221	18,600	81,821
Deferred outflows - pension	4,138,244	783,260	4,921,504
Total deferred outflows of resources	4,201,465	801,860	5,003,325
LIABILITIES			
Accounts payable	677,692	629,010	1,306,702
Accrued liabilities	630,213	148,357	778,570
Accrued interest	123,390	99,088	222,478
Customer deposits	21,563	925,987	947,550
Long-term liabilities:			
Due within one year	2,198,880	984,147	3,183,027
Due in more than one year	20,455,059	22,302,482	42,757,541
Due in more than one year - net pension liability	6,680,010	1,317,269	7,997,279
Due in more than one year - net OPEB liability	1,185,310	251,500	1,436,810
Total Liabilities	31,972,117	26,657,840	58,629,957
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB	58,446	13,300	71,746
Deferred inflows - pension	1,594,591	250,819	1,845,410
Total deferred outflows of resources	1,653,037	264,119	1,917,156
NET POSITION			
Net investment in capital assets	38,606,089	24,452,425	63,058,514
Restricted for:			
Capital improvements	244,179	-	244,179
Debt service	596,493	-	596,493
Culture and recreation	922,784	-	922,784
Public works	1,483,538	-	1,483,538
Public safety	1,532,213	-	1,532,213
Unrestricted	(725,644)	5,887,374	5,161,730
Total Net Position	$ 42,659,652	$ 30,339,799	$ 72,999,451

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
GOVERNMENT WIDE - STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government						
Governmental activities						
General government	$ 7,521,311	$ 189,931	$ -	$ (7,331,380)	$ -	$ (7,331,380)
Public safety	6,643,155	1,877,057	-	(4,766,098)	-	(4,766,098)
Culture and recreation	2,767,462	236,478	22,240	(2,508,744)	-	(2,508,744)
Public works	2,348,520	654,129	-	(1,694,391)	-	(1,694,391)
Interest on long-term debt	562,654	-	-	(562,654)	-	(562,654)
Total governmental activities	19,843,102	2,957,595	22,240	(16,863,267)	-	(16,863,267)
Business-type activities:						
Water and Sewer	8,220,965	8,222,931	-	-	1,966	1,966
Drainage Utility	1,066,306	1,470,182	-	-	403,876	403,876
Total business-type activities	9,287,271	9,693,113	-	-	405,842	405,842
Total primary government	$ 29,130,373	$ 12,650,708	$ 22,240	(16,863,267)	405,842	(16,457,425)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				8,033,015	-	8,033,015
Sales taxes				6,013,849	-	6,013,849
Franchise taxes				989,642	-	989,642
Payment in lieu of taxes				479,086	-	479,086
Penalties and interest				39,218	-	39,218
Interest on investments				589,104	353,387	942,491
Miscellaneous revenue				55,275	2,525	57,800
Transfers				576,586	(576,586)	-
Total general revenues and transfers				16,775,775	(220,674)	16,555,101
Change in net position				(87,492)	185,168	97,676
Net position - beginning				42,747,144	30,154,631	72,901,775
Net position - ending				$ 42,659,652	$ 30,339,799	$ 72,999,451

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,412,176	$ 552,949	$ 917,224	$ 2,058,110	$ 4,940,459
Investments	2,268,788	120,437	9,490,791	2,764,638	14,644,654
Receivables, net of allowance for uncollectibles					
Property taxes	108,153	46,497	-	-	154,650
Accounts receivable	1,043,387	-	3,589	490,002	1,536,978
Due from other funds	690,597	-	-	-	690,597
Prepaid items	80,547	-	-	15,511	96,058
Inventory of supplies	20,776	-	-	-	20,776
Total Assets	$ 5,624,424	$ 719,883	$ 10,411,604	$ 5,328,261	$ 22,084,172
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 212,870	$ -	$ 79,322	$ 385,500	$ 677,692
Accrued liabilities	576,274	-	-	53,939	630,213
Accrued interest payable	-	13,782	-	-	13,782
Deposits	21,563	-	-	-	21,563
Due to other funds	-	-	-	690,597	690,597
Total Liabilities	810,707	13,782	79,322	1,130,036	2,033,847
Deferred Inflows of Resources					
Unavailable revenue - Property Taxes	108,153	46,497	-	-	154,650
Unavailable revenue - EMS	287,223	-	-	-	287,223
Total Deferred Inflows of Resources	395,376	46,497	-	-	441,873
Fund balances:					
Non-Spendable					
Inventories	20,776	-	-	-	20,776
Prepaid items	80,547	-	-	15,511	96,058
Restricted					
Capital acquisitions and contractual obligations	-	-	10,332,282	244,179	10,576,461
Debt service	-	659,604	-	-	659,604
Culture and recreation	-	-	-	922,784	922,784
Public works	-	-	-	1,483,538	1,483,538
Public safety	-	-	-	1,532,213	1,532,213
Unassigned	4,317,018	-	-	-	4,317,018
Total Fund balances	4,418,341	659,604	10,332,282	4,198,225	19,608,452
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,624,424	$ 719,883	$ 10,411,604	$ 5,328,261	$ 22,084,172

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2019

Total fund balance - governmental funds	$	19,608,452
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		47,057,928
Deferred outflows related to OPEB		63,221
Deferred outflows related to Texas Municipal Retirement System		4,138,244
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(109,608)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		441,873
Deferred inflows related to OPEB		(58,446)
Deferred inflows related to Texas Municipal Retirement System		(1,594,591)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General obligation bonds		(1,105,000)
Certificate of obligations		(18,085,000)
Premiums on issuance		(581,822)
Notes payable		(313,920)
Compensated absences		(2,568,197)
Net pension liability		(6,680,010)
Net OPEB liability		(1,185,310)
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. The net position of the internal service fund is net of the amount allocated to business-type activities, deferred charges, capital assets and long-term liabilities.		3,631,838
Net position of governmental activities	$	42,659,652

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and franchise fees	$ 9,670,695	$ 2,424,577	$ -	$ 2,970,112	$ 15,065,384
Licenses and permits	467,737	-	-	-	467,737
Charges for services	741,687	-	-	-	741,687
Fines and forfeitures	476,291	-	-	847,307	1,323,598
Interest income	106,381	20,244	295,114	101,327	523,066
Intergovernmental	479,086	-	-	-	479,086
Miscellaneous	318,859	-	-	134,580	453,439
Total Revenues	12,260,736	2,444,821	295,114	4,053,326	19,053,997
Expenditures					
Current:					
General government	6,573,346	-	-	2,556	6,575,902
Public safety	3,893,890	-	-	2,277,574	6,171,464
Culture and recreation	1,669,807	-	-	669,548	2,339,355
Public works	773,897	-	-	79,558	853,455
Capital outlay	-	-	857,224	541,444	1,398,668
Debt Service:					
Principal	-	1,880,000	65,767	-	1,945,767
Interest and other charges	-	616,120	23,978	-	640,098
Total Expenditures	12,910,940	2,496,120	946,969	3,570,680	19,924,709
Excess (deficiency) of revenues over expenditures	(650,204)	(51,299)	(651,855)	482,646	(870,712)
Other Financing Sources (Uses)					
General obligation debt issued	-	-	425,000	-	425,000
Premium on general obligation debt	-	-	24,877	-	24,877
Transfers in	544,486	-	-	-	544,486
Transfers out	(47,500)	-	-	(94,900)	(142,400)
Total other financing sources and uses	496,986	-	449,877	(94,900)	851,963
Net change in fund balances	(153,218)	(51,299)	(201,978)	387,746	(18,749)
Fund balances - beginning	4,571,559	710,903	10,534,260	3,810,479	19,627,201
Fund balances - ending	$ 4,418,341	$ 659,604	$ 10,332,282	$ 4,198,225	$ 19,608,452

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

Net change in fund balances - total governmental funds	$	(18,749)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		1,162,141
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(2,322,043)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities a gain or (loss) is reported for each disposal. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold and disposed.		(114,408)
The issuance of long-term debt (e.g. bonds) ($425,000) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt of $1,945,767 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items of $11,398 ,when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,532,165
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(225,333)
Contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position		
Pension		1,137,224
OPEB		42,877
Accrued interest is not reported in the fund financial statements and the change is reported in the statement of activities		(12,301)
Certain unavailable revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		58,990
Pension expense for the pension plan measurement year		(1,572,842)
OPEB expense for the pension plan measurement year		(94,739)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net revenue of the internal service funds is reported with business-type activities.		339,526
Change in net position of governmental activities	$	(87,492)

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
ASSETS				
Current assets				
Cash and cash equivalents	$ 187,041	$ 3,912,336	$ 4,099,377	$ 1,812,289
Investments	17,003,999	816,753	17,820,752	517,251
Accounts receivable and unbilled revenue less allowance for uncollectibles	1,712,292	76,874	1,789,166	677
Inventories	59,255	-	59,255	-
Prepaid items	13,812	4,033	17,845	-
Total current assets	18,976,399	4,809,996	23,786,395	2,330,217
Non-current assets:				
Capital Assets:				
Land	91,000	-	91,000	-
Construction in Progress	2,098,090	179,771	2,277,861	-
Buildings	3,246,847	106,931	3,353,778	154,068
Equipment	1,494,361	88,014	1,582,375	3,573,712
Drainage improvements	-	18,434,260	18,434,260	-
Waterworks and sanitary sewer system	23,832,787	-	23,832,787	-
	30,763,085	18,808,976	49,572,061	3,727,780
Less Accumulated depreciation	(7,158,926)	(9,969,945)	(17,128,871)	(2,195,846)
Capital assets net of depreciation	23,604,159	8,839,031	32,443,190	1,531,934
Total assets	42,580,558	13,649,027	56,229,585	3,862,151
DEFERRED OUTFLOWS OF				
Deferred outflows - OPEB	14,400	4,200	18,600	-
Deferred outflows - pension	589,670	193,590	783,260	-
Total deferred outflows	604,070	197,790	801,860	-

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
LIABILITIES				
Current liabilities				
Payable from current assets				
Accounts payable	$ 546,309	$ 82,701	$ 629,010	$ -
Accrued liabilities	124,456	23,901	148,357	-
Current portion of compensated absences	32,459	6,688	39,147	-
Current portion of bonds payable	945,000	-	945,000	-
Deposits	925,987	-	925,987	-
Payable from restricted assets			-	
Accrued interest	99,088	-	99,088	-
Total current liabilities	2,673,299	113,290	2,786,589	-
Noncurrent liabilities:				
Bonds payable	21,947,265	-	21,947,265	-
Compensated absences	255,968	99,249	355,217	-
Net pension liability	936,753	380,516	1,317,269	-
Net OPEB liability	196,800	54,700	251,500	-
Total non-current liabilities	23,336,786	534,465	23,871,251	-
Total liabilities	26,010,085	647,755	26,657,840	-
DEFERRED INFLOWS OF				
Deferred inflows - OPEB	13,300	-	13,300	-
Deferred inflows - pension	250,819	-	250,819	-
Total deferred outflows	264,119	-	264,119	-
NET POSITION				
Net investment in capital assets	15,383,081	8,839,031	24,222,112	1,531,934
Unrestricted	1,527,343	4,360,031	5,887,374	2,330,217
Total Net Position	$ 16,910,424	$ 13,199,062	30,109,486	$ 3,862,151
Reconciliation to government-wide statement of net position				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			230,313	
Net position of business-type activities			$ 30,339,799	

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2019

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
Operating revenues				
Water service	$ 4,321,524	$ -	$ 4,321,524	$ -
Sewer service	3,520,605	-	3,520,605	-
Drainage fees	-	1,470,182	1,470,182	-
Service fees and miscellaneous	380,802	-	380,802	402,553
Total operating revenues	8,222,931	1,470,182	9,693,113	402,553
Operating expenses				
Personnel services	1,573,761	468,432	2,042,193	-
Supplies	100,447	16,744	117,191	-
Maintenance	29,608	14,899	44,507	-
Contractual services	5,421,829	171,247	5,593,076	3,971
Capital outlay	44,502	11,130	55,632	38,989
Bad debt expense	34,135	3,158	37,293	-
Depreciation and amortization	502,171	380,696	882,867	221,563
Total operating expenses	7,706,453	1,066,306	8,772,759	264,523
Operating income (loss)	516,478	403,876	920,354	138,030
Non-operating revenues (expenses)				
Investment income	218,335	135,052	353,387	66,037
Gain (loss) on disposal of capital assets	2,525	-	2,525	
Interest expense	(553,553)	-	(553,553)	-
Total Non-operating revenue (expenses), net	(332,693)	135,052	(197,641)	66,037
Income (loss) before transfers	183,785	538,928	722,713	204,067
Transfers in	-	-	-	174,500
Transfers out	(472,986)	(103,600)	(576,586)	-
Change in net position	(289,201)	435,328	146,127	378,567
Total net position - beginning of the year	17,199,625	12,763,734		3,483,584
Total net position - ending of the year	$ 16,910,424	$ 13,199,062		$ 3,862,151

Reconciliation to government-wide statement of net position

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	39,041
Change in net position of business-type activities	$ 185,168

The Notes to the Basic Financial Statements are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2019

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
OPERATING ACTIVITIES				
Cash received from customers	$ 8,130,438	1,484,777	$ 9,615,215	$ 407,926
Cash payments to suppliers for goods and services	(5,924,877)	(143,994)	(6,068,871)	(45,176)
Cash payments to employees for services	(1,399,890)	(429,037)	(1,828,927)	-
Net cash provided by operating activities	805,671	911,746	1,717,417	362,750
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	174,500
Transfers to other funds	(472,986)	(103,600)	(576,586)	-
Net cash provided by (used by) noncapital financing activities	(472,986)	(103,600)	(576,586)	174,500
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of equipment	2,525	-	2,525	-
Purchase of capital assets	(1,514,246)	(162,465)	(1,676,711)	(149,912)
Repayment of debt	(810,000)	-	(810,000)	-
Bond issuance costs	(130,100)	-	(130,100)	-
Net Proceeds from issuance of debt	8,630,620	-	8,630,620	-
Interest paid on debt	(517,938)	-	(517,938)	-
Net cash provided by (used by) capital and related financing activities	5,660,861	(162,465)	5,498,396	(149,912)
INVESTING ACTIVITIES				
Sale of investments	-	1,329,868	1,329,868	399,493
Investment income	218,335	135,052	353,387	66,037
Purchase of investments	(7,649,994)	-	(7,649,994)	-
Net cash provided by (used by) investing activities	(7,431,659)	1,464,920	(5,966,739)	465,530
Net change in cash and cash equivalents	(1,438,113)	2,110,601	672,488	852,868
Cash and equivalents, beginning of year	1,625,154	1,801,735	3,426,889	959,421
Cash and equivalents, at end of year	$ 187,041	$ 3,912,336	$ 4,099,377	$ 1,812,289
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 516,478	$ 403,876	$ 920,354	$ 138,030
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	502,171	380,696	882,867	221,563
(Increase) decrease in accounts receivable and unbilled revenue	(106,424)	14,595	(91,829)	5,370
(Increase) decrease in prepaids items	(13,812)	(4,033)	(17,845)	-
(Increase) decrease in deferred outflows - pensions	(347,800)	(125,655)	(473,455)	-
(Increase) decrease in deferred outflows - OPEB	1,100	-	1,100	-
(increase) decrease in inventory	(36,872)	-	(36,872)	-
Increase (decrease) in deferred inflows - pension	(84,463)	(87,872)	(172,335)	-
Increase (decrease) in deferred inflows - OPEB	13,300	-	13,300	-
Increase (decrease) in accounts payable	(243,672)	77,217	(166,455)	(2,213)
Increase (decrease) in accrued liabilities	66,027	7,250	73,277	-
Increase (decrease) in net pension liability	493,229	239,781	733,010	-
Increase (decrease) in net OPEB liability	(5,900)	-	(5,900)	-
Increase (decrease) in compensated absences	38,378	5,891	44,269	-
Increase (decrease) in deposits	13,931	-	13,931	-
Net cash provided by operating activities	$ 805,671	$ 911,746	$ 1,717,417	$ 362,750

The Notes to the Basic Financial Statements are an integral part of this statement.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Watauga (the City) Home Rule Charter was adopted by the voters at an election held on January 19, 1980 and amended January 19, 1985, August 8, 1987, August 11, 1990, January 15, 1994, August 10, 1996, August 8, 1998, September 14, 2002, May 7, 2005, November 6, 2007, and May 11, 2013. The City operates under a Mayor-Council-Manager form of government. The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments.

The City prepares its basic financial statements in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

Financial Reporting Entity

The basic financial statements of the City include the primary government and its component units, entities for which the primary government is financially accountable and other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The following entities were found to be component units of the City and are included in the basic financial statements:

The Watauga Economic Development Corporation’s (WEDC) was created to encourage the development and advance of City businesses, development and parks within the City. The Corporation is funded through a ¼ cent sales tax and is a Type B corporation. The WEDC’s governing board is appointed by the City Council. The WEDC is composed of two funds: a special revenue fund and a capital projects fund.

The Watauga Crime Control and Prevention District Fund’s (WCCPD) sole purpose is to act on behalf of the City in the accumulation and use of resources to add law enforcement officers and purchase additional equipment and supplies for law enforcement purposes. The WCCPD is reported as a special revenue fund.

A blended presentation has been used to report the financial information of these component units. The financial information for the individual component units is available from the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its blended component units. For the most part the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

General Obligation Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

General Obligation Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. Financing is provided primarily by the sale of tax notes, general obligation and contractual obligation bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly, at least annually, and adjusted if necessary to ensure integrity of the funds.

Drainage Utility Fund

The Drainage Utility Fund is used to account for the user fees charged per residential and commercial unit to enhance drainage of properties within the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance.

Additionally, the City reports the Internal Service Fund, which was established in 1997 for the purpose of replacing equipment. Departments are charged user fees to accumulate funds to be used in replacing existing equipment as needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Deposits and Investments

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash accounts or individual fund investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly-liquid investments with original maturities of three months or less.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

Certificates of Deposit are reported at cost plus accrued interest. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposits within established criterion. During the year ended September 30, 2019, the City did not own any types of securities other than those permitted by statute.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to $2.50 per $100 of assessed valuation. The City's current tax rate is $0.601788 per $100 of assessed valuation and assessed valuation is approximately 100% of estimated value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. Prepaid balances are reported in the governmental funds using the purchase method instead of the consumption method. Payments for prepaid items are fully recognized as expenditures in the year of payment.

Inventories

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out method). Inventories consist primarily of expendable supplies. Inventories are offset by a fund balance reserve account in applicable governmental funds to indicate the inventory values are not available for appropriation and are not expendable financial resources.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Interfund transfers in the fund statements are reported as other financing sources (uses) in governmental funds and after non-operating revenues (expenses) in the proprietary funds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, equipment, and infrastructure assets.

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	50 years
Improvements other than buildings	50 years
Equipment	3-10 years
Drainage Improvements	50 years
Infrastructure	9-50 years
Waterworks and sanitary sewer system	60 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

City employees are granted vacation, sick and other compensated time pay in varying amounts. In the event of termination, an employee hired before 10/1/2013 is reimbursed for accumulated unused vacation days up to a maximum of 60 days, or an employee hired after 10/1/2013 is reimbursed for accumulated unused vacation days up to a maximum of 30 days if the employee has completed their probationary period of six months for a non-civil service employee or at least one year for civil service employees. Employees hired before 10/1/2013 are reimbursed up to 100% of 90 days for accumulated sick leave. Non-civil service employees hired after 10/1/2013 are no longer reimbursed for unpaid sick leave. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements and in the proprietary fund financial statements. The total liability for compensated absences at September 30, 2019 was $ 2,962,561 , including $ 394,364 of proprietary fund balances which are included with accrued liabilities on the proprietary fund statement of net position.

The estimated vacation liability expected to be satisfied with available financial resources is included in accrued salaries and wages in the governmental funds.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of net position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for reporting in this category reported in the government-wide statement of net position:

- Deferred outflows of resources for other post-employment benefits "OPEB" – these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits, which is currently between 5.75 and 8.5 years, depending on the plan.

- Deferred outflows of resources for pension – this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between projected and actual earnings on pension plan investments. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related outflow will be amortized over a closed five year period.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for this category:

- Deferred inflows of resources for unavailable revenues – reported in the governmental funds balance sheet, unavailable revenues from EMS and property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

- Deferred inflows of resources for other post-employment benefits ("OPEB") – reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB which is currently between 5.75 and 8.5 years, depending on the plan.

- Deferred inflows of resources for pension – Reported in the government-wide statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with pension through the pension plan, which is currently 3.39 years.

Fund Balance

The City reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions for capital acquisitions and contractual obligations, retirement of fund indebtedness and other state restrictions have been properly classified in the Governmental Funds Balance Sheet.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority. Per the City's fund balance policy, assigned fund balance amounts are established by the City Manager.

Unassigned fund balance – amounts that are available for any purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

The City establishes (and modifies and rescinds) fund balance commitments by passage of a resolution by City Council. Once the resolutions or ordinances are adopted, the limitation imposed remains in place until a similar action is taken (the adoption of another resolution or ordinance) to remove or revise the limitation.

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Net Position

Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Since under Texas law, appropriations lapse at fiscal year-end, outstanding encumbrances are appropriately provided for in the subsequent years' budget to provide for the liquidation of the prior commitments. As of September 30, 2019, the City had no encumbrances in the General Fund that rolled over into the new fiscal year.

Pension

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, GRS Retirement Consulting, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71.

Other Post-Employment Benefits

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's self-insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees. Information regarding the City's total liability for this plan is obtained through a report prepared by GRS Retirement Consulting, the City's third-party actuary, in compliance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Post-Employment Benefits (continued)

Additionally, the City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, GRS Retirement Consulting, in compliance with GASB Statement No. 75.

Implementation of Future Accounting Standards

The Governmental Accounting Standards Board ("GASB") has issued the following new statements to be implemented in future years.

GASB Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries. This standard becomes effective for the City in fiscal year 2020.

GASB Statement No. 87, Leases. This statement provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and non-lease components will need to be separated so each component is accounted for accordingly. This standard becomes effective for the City in fiscal year 2021.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This standard becomes effective for the City in fiscal year 2021.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the following table:

Authorized Investment Type	Final Stated Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Public funds investment pool	N/A	100%	None
Certificates of deposit	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
No-load money market mutual funds	5 years	50%	None
Repurchase agreements	5 years	50%	None
State of Texas securities	5 years	50%	None
U.S. agency obligations	5 years	50%	None
Commercial paper	5 years	10%	None

The act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Deposits and investments as of September 30, 2019, are classified in the accompanying financial statements as follows:

Governmental Activities	$	21,914,653
Business Type Activities		21,920,129
	$	43,834,782

Deposits and investments as of September 30, 2019, consist of the following:

Deposits with financial institutions	$	858,942
Investments		42,975,840
	$	43,834,782

$10,000 of the deposits with financial institutions listed above is in a joint use facility fund with the City of North Richland Hills. The funds are to be used to maintain a water and sewer transfer station.

For the purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 365 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

As of September 30, 2019, the City had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity
TexPool	$ 5,971,693	36 days
TexPool Prime	1,031,303	33 days
TexasTerm	466,897	38 days
LOGIC	305,175	49 days
Money Market	24,903,653	Daily
CDs	10,297,119	22 Days
	$ 42,975,840	

$1,186,038 of the investments listed above is in a joint use facility fund with the City of North Richland Hills. The funds are to be used to maintain a water and sewer transfer station.

As of September 30, 2019, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy or debt agreements and the actual rating as of year-end for each investment type.

Investment Type	Carrying Value	Minimum Rating Required	Actual Investment Rating
TexPool	$ 5,971,693	AAA	AAAm
TexPool Prime	1,031,303	AAA	AAAm
Texas Term	466,897	AAA	AAAm
LOGIC	305,175	AAA	AAAm
Money Market	24,903,653	N/A	N/A
CDs	10,297,119	N/A	N/A
	$ 42,975,840		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2019, other than external investment pools and securities guaranteed by the United States Government, the City did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

Custodial Credit Risk (continued)

state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance of $250,000 at all times.

At September 30, 2019, the carrying amount of the City's cash on hand and deposits was $858,942 and the bank balance was $1,630,075. Of the bank balance, $250,000 was covered by federal depository insurance while the remaining $1,380,075 was secured with securities held by the pledging financial institution's trust department or agent in the City's name.

The City is a voluntary participant in the TexPool, LOGIC and Texas Term external investment pools.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

LOGIC is governed by a six member board and is an AAA-rated investment program tailored to the investment needs of local governments within the state of Texas and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. LOGIC assists governments across Texas making the most of taxpayer dollars by allowing local officials to improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund. LOGIC is a 'Constant Dollar" net asset value pool and is in full compliance with the Texas Public Funds Investment Act.
Texas Term is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. A seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares.

The City's external pooled funds are reported at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* Amortized cost for the investment pools approximates fair value. In addition, The City's investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Market values of money market accounts and certificates of deposit are based on quoted market values using Level 2 inputs.

NOTE 3 - RECEIVABLES

Accounts receivable balances for the year ended September 30, 2019, was as follows:

Governmental Funds:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
Receivables:					
Property taxes	$ 174,412	$ 78,187	$ -	$ -	$ 252,599
Sales tax	492,203	-	-	489,653	981,856
Garbage	96,145	-	-	-	96,145
Ambulance	622,023	-	-	-	622,023
Franchise fees	138,612	-	-	-	138,612
Other	147,996		3,589	349	151,934
Gross receivables	1,671,391	78,187	3,589	490,002	2,243,169
Less: allowance for uncollectibles	(519,851)	(31,690)	-	-	(551,541)
Net total receivables	$ 1,151,540	$ 46,497	$ 3,589	$ 490,002	$ 1,691,628

Proprietary Funds:

	Water and Sewer	Drainage Utility	Total	Internal Service
Customer accounts	$ 2,509,660	$ 116,071	$2,625,731	$ -
Other	206	1,461	1,667	677
Gross receivables	2,509,866	117,532	2,627,398	677
Less allowance for uncollectibles	(797,574)	(40,658)	(838,232)	-
Total	$ 1,712,292	$ 76,874	$1,789,166	$ 677

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance September 30, 2018	Additions	Retirements/ Transfers	Balance September 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	$ 19,019,600	$ -	$ -	$ 19,019,600
Construction in progress	747,492	139,871	(518,043)	369,320
Total capital assets not being depreciated	19,767,092	139,871	(518,043)	19,388,920
Capital assets being depreciated				
Buildings and improvements	21,725,208	77,800	15,201	21,818,209
Improvements other than buildings	413,778	-	-	413,778
Equipment	13,050,685	608,638	(778,422)	12,880,901
Infrastructure	33,549,351	552,363	435,863	34,537,577
Total capital assets being depreciated	68,739,022	1,669,006	(327,358)	69,650,465
Less accumulated depreciation				
Buildings and improvements	5,231,753	491,769	-	5,723,522
Improvements other than buildings	55,348	8,276	-	63,624
Equipment	9,527,957	725,399	(601,263)	9,652,093
Infrastructure	23,946,505	1,294,092	-	25,240,597
Total accumulated depreciation	38,761,563	2,519,536	(601,263)	40,679,836
Total capital assets being depreciated, net	29,977,459	(850,530)	273,905	28,970,629
Governmental activities capital assets, net	$ 49,744,551	$ (710,659)	$ (244,138)	$ 48,359,549

	Balance September 30, 2018	Additions	Retirements/ Transfers	Balance September 30, 2019
Business-Type Activities				
Capital assets not being depreciated				
Land	$ 91,000	$ -	$ -	$ 91,000
Construction in progress	785,223	1,515,629	(22,991)	2,277,861
Total capital assets not being depreciated	876,223	1,515,629	(22,991)	2,368,861
Capital assets being depreciated				
Buildings and improvements	3,353,778	-	-	3,353,778
Equipment	1,961,789	63,111	(47,149)	1,977,751
Street and drainage improvements	18,417,917	16,343	-	18,434,260
Waterworks and sewer system	23,665,057	144,739	22,991	23,832,787
Total capital assets being depreciated	47,398,541	224,193	(24,158)	47,598,576
Less accumulated depreciation for				
Buildings and improvements	1,189,962	63,675	-	1,253,637
Equipment	1,283,382	109,149	(47,149)	1,345,382
Street and drainage improvements	9,500,048	368,262	-	9,868,310
Waterworks and sewer system	4,460,754	365,851	-	4,826,605
Total accumulated depreciation	16,434,146	906,937	(47,149)	17,293,934
Total capital assets being depreciated, net	30,964,395	(682,744)	22,991	30,304,642
Business-type activities capital assets, net	$ 31,840,618	$ 832,885	$ -	$ 32,673,503

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities		
General government	$	277,895
Public safety		406,393
Culture and recreation		248,780
Public works		1,388,975
Internal Service Fund		197,493
Total depreciation expense - Governmental Activities	$	2,519,536
Business-Type activities		
Water and sewer	$	502,171
Drainage		380,696
Internal Service Fund		24,070
Total depreciation expense - Business-Type Activities	$	906,937

Construction in progress and remaining commitments under construction related construction contracts at September 30, 2019 are as follows:

Project Name	Remaining Commitment	Total In Progress
Governmental Activities:		
Bowie Street	$ 7,690	$ 22,310
Splashpad	14,341	26,002
Capp Smith retaining wall project	4,832	48,168
CDBG 44th Year	-	2,500
Whitley Road - phase three	45,829	191,530
Fire Engine	671,190	78,810
Total Governmental Activities	$ 743,882	$ 369,320
Business-Type Activities:		
Water and Sewer Projects	$ 4,078,494	$ 2,277,861
Total Business-Type Activities	$ 4,078,494	$ 2,277,861

NOTE 5 - LONG-TERM DEBT

Compensated absences, OPEB and pension liabilities are generally liquidated by the General Fund, Water and Sewer Fund, and the Drainage Utility Fund.

During the fiscal year ended September 30, 2019, the City issued a Combination Tax and Limited Pledge Revenue Certificates of Obligation Series 2019 in amount of $8,490,000 with an interest rate of 2.00-5.00% and premiums in the amount of $496,956. The proceeds will be used for street, utility, and park improvement projects as well as capital equipment replacements.

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2019:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	$ 1,605,000	$ -	$ (500,000)	$ 1,105,000	$ 520,000
Certificates of obligation	19,040,000	425,000	(1,380,000)	18,085,000	1,515,000
Unamortized bond premium	593,220	24,877	(36,275)	581,822	-
Note payable	379,687	-	(65,767)	313,920	68,737
Compensated absences	2,342,864	447,254	(221,921)	2,568,197	95,143
Total governmental activities	23,960,771	897,131	(2,203,963)	22,653,939	2,198,880
Business-Type Activities					
Certificates of obligation	14,655,000	8,065,000	(810,000)	21,910,000	945,000
Unamortized bond premium	546,745	472,079	(36,559)	982,265	-
Compensated absences	350,095	48,203	(3,934)	394,364	39,147
Total Business-type Activities	15,551,840	8,585,282	(850,493)	23,286,629	984,147
Total government-wide activities	$ 39,512,611	$ 9,482,413	$ (3,054,456)	$ 45,940,568	$ 3,183,027

NOTE 5 - LONG-TERM DEBT (continued)

General Obligation Bonds and Certificates of Obligation

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

General obligations bonds and certificates of obligation payable at September 30, 2019, are comprised of the following individual issues:

	Governmental	Business-Type
$2,855,000 Series 2006 General Obligation Refunding Bonds due in annual installments of $20,000 to $330,000 through April 1, 2020; interest at 3.730%.	$ 330,000	$ -
$3,400,000 Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $65,000 to $255,000 through February 1, 2027; interest at 4.110%.	1,780,000	-
$7,365,000 Series 2011 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $315,000 to $660,000 through February 1, 2026; interest at 2.00% to 4.00%	1,450,000	1,525,000
$7,730,000 Series 2012 Certificates of Obligation due in annual installments of $290,000 to $510,000 through February 1, 2032; interest at 2.00% to 3.25%.	-	5,520,000
$2,145,000 Series 2013 General Obligation Refunding Bonds due in annual installments of $125,000 to $270,000 through February 1, 2023; interest at 2.25%.	775,000	-
$3,500,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $85,000 to $900,000 through February 2034; interest at 1.00% to 3.500%.	2,920,000	-
$5,885,000 Series 2016 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $285,000 to $355,000 through February 2036; interest at 2.00% to 4.00%	5,095,000	-
$7,325,000 Series 2017 Certificates of Obligation due in annual installments of $245,000 to $480,000 through February 1, 2037; interest at 3.00% to 5.00%.	-	6,800,000
$6,780,000 Series 2018 Certificates of Obligation due in annual installments of $245,000 to $480,000 through February 1, 2038; interest at 2.00% to 5.00%.	6,415,000	-
$8,490,000 Series 2019 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $195,000 to $555,000 through February 1, 2039; interest at 2.00% to 5.00%	425,000	8,065,000
Total Bonds Payable	$ 19,190,000	$ 21,910,000

Notes payable at September 30, 2019, are comprised of the following individual issues:

	Governmental	Business-Type
Note payable to City of North Richland Hills annual installments of $19,785, including interest at 4.5%, maturing February 2021.	$ 37,054	$ -
Note payable to City of North Richland Hills annual installments of $63,068, including interest at 4.5%, maturing October 2024.	276,866	-
Total Notes Payable	313,920	-
Total Bonds and Notes Payable	$ 19,503,920	$ 21,910,000

NOTE 5 - LONG-TERM DEBT (continued)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each type of debt obligation for the years subsequent to September 30, 2019, are as follows:

General Obligation Bonds

	Governmental Activities		
	Principal	Interest	Total
2020	$ 520,000	$ 21,454	$ 541,454
2021	200,000	10,913	210,913
2022	195,000	6,469	201,469
2023	190,000	2,138	192,138
	$ 1,105,000	$ 40,974	$ 1,145,974

Certificates of Obligation

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2020	$ 1,515,000	$ 574,175	$ 945,000	$ 654,323	$ 3,688,498
2021	1,945,000	514,391	975,000	623,323	4,057,714
2022	1,835,000	449,422	1,150,000	587,698	4,022,120
2023	1,080,000	397,786	1,190,000	546,661	3,214,447
2024	1,010,000	356,516	1,230,000	503,660	3,100,176
2025 - 2029	4,500,000	1,221,725	6,390,000	1,854,771	13,966,496
2030 - 2034	3,940,000	613,308	5,960,000	877,521	11,390,829
2035 - 2039	2,260,000	124,359	4,070,000	223,315	6,677,674
	$ 18,085,000	$ 4,251,682	$ 21,910,000	$ 5,871,272	$ 50,117,954

Notes Payable

	Governmental Activities		
	Principal	Interest	Total
2020	$ 68,727	$ 14,126	$ 82,853
2021	71,819	10,764	82,583
2022	55,266	7,802	63,068
2023	57,753	5,315	63,068
2024	60,355	2,716	63,071
	$ 313,920	$ 40,723	$ 354,643

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All interfund balances are expected to be repaid during the year ending September 30, 2019.

At September 30, 2019, current interfund balances consisted of the following:

Interfund Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds.

Receivable Fund	Payable Fund	Amounts
General Fund	WCCPD Fund	$ 690,597
		$ 690,597

At September 30, 2019, transfers in/out for governmental and proprietary funds are as follows:

Transfers In	Transfers Out	Amounts
General Fund	WEDC Sales Tax Fund	$ 36,400
General Fund	Storm Drain Utility	72,600
General Fund	WCCPD Fund	29,000
General Fund	Water and Sewer Operating Fund	406,486
Equipment Replacement Fund	WCCPD Fund	15,000
Equipment Replacement Fund	Storm Drain Utility	31,000
Equipment Replacement Fund	Water and Sewer Operating Fund	66,500
Equipment Replacement Fund	WEDC Sales Tax Fund	14,500
Equipment Replacement Fund	General Fund	47,500
		$ 718,986

Transfers are primarily used to move funds to:

- General Fund from Watauga Economic Development Corporation (“WEDC”) Sales Tax Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Storm Drain Utility Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Watauga Crime Control and Prevention District (“WPCCPD”) Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Water and Sewer Operating Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services are also used by other funds.

- The transfer to Equipment Replacement Fund were for the acquisition of various replacement capital needs in the City.

NOTE 7 - PENSION PLAN

The City of Watauga, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7.00%
Matching ration (city to employee)	2 to 1
Years required for vesting	5
Updated Service Credit	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Number of	
Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	166
Active employees	162
Total	429

NOTE 7 - PENSION PLAN (continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.59%and 13.50% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019 were $1,349,674, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

NOTE 7 - PENSION PLAN (continued)

Net Pension Liability (continued)

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arighmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 7 - PENSION PLAN (continued)

Net Pension Liability (continued)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2017	$ 48,230,601	$ 44,492,648	$ 3,737,953
Changes for the year:			
Service cost	1,577,540	-	1,577,540
Interest (on the Total Pension Liability)	3,256,548	-	3,256,548
Difference between expected and actual experience	22,136	-	22,136
Changes of assumptions	-	-	-
Contributions - employer	-	1,289,939	(1,289,939)
Contributions - employee	-	664,427	(664,427)
Net investment income	-	(1,332,865)	1,332,865
Benefit payments, including refunds of employee contributions	(1,548,423)	(1,548,423)	-
Administrative expense	-	(25,758)	25,758
Other	-	1,155	(1,155)
Balance at 12/31/2018	$ 51,538,402	$ 43,541,123	$ 7,997,279

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease	Current Single Rate Assumption	1% Increase
5.75%	6.75%	7.75%
$16,036,441	$7,997,279	$1,508,836

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

NOTE 7 - PENSION PLAN (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019 the city recognized pension expense of $1,857,545.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ 15,606	$ 176,404
Difference in projected and actual earnings on pension plan investments.	3,949,890	1,669,006
Employer contributions made after the measurement date	956,008	-
Totals	$ 4,921,504	$ 1,845,410

$956,008 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2020	$ 638,958
2021	300,089
2022	313,817
2023	867,222
Total	$ 2,120,086

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Plan

Benefit Plan Description

The City contributes to a single-employer defined benefit group term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Membership in the plan as of the measurement date of December 31, 2018 was as follows:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	26
Active employees	162
Total	251

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.18% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.71% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2018.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The City's Total OPEB Liability ("TOL") was measured at December 31, 2018 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement
Retirement Age	date. benefits. Last updated for the 2015 valuation to an experience study for the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	
Notes	There were no benefit changes during the year.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	$ 450,793
Changes for the year:	
Service cost	24,679
Interest (on the Total OPEB Liability)	15,283
Difference between expected and actual experience	(28,476)
Chages of assumptions	(32,318)
Benefit payments, including refunds of employee contributions	(2,848)
Balance at 12/31/2018	$ 427,113

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.71%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease	Current Single Rate Assumption	1% Increase
2.71%	3.71%	4.71%
$514,575	$427,113	$359,111

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2019, the City recognized OPEB expense of $35,768 relating to the SBFD plan.

As of September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ -	$ 23,524
Difference in assumption changes	-	2,777
Employer contributions made after the measurement date	2,124	-
Totals	$ 2,124	$ 26,301

The $2,124 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2020	$ (4,194)
2021	(4,194)
2022	(4,194)
2023	(7,929)
Total	$ 26,301

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

City of Watauga Retiree Health Care Plan

Plan description

The City's defined benefit OPEB plan, City of Watauga Retiree Health Care Plan (WHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. WHCP is a single-employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the WHCP.

Benefits provided

WHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At September 30, 2019, the following employees were covered by the benefit terms:

Number of	
Retirees and beneficiaries	6
Inactive, nonretired members	0
Active members	140
Total	146

Total OPEB Liability

The City's total OPEB liability of $1,009,697 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial assumptions and other inputs.

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	December 31, 2018

Methods and Assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.71% as of December 31, 2018
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates	7.20% declining to an ultimate rate of 4.25% after 14 years Participation Rates 35% of retirees between the ages of 50 and 64 at retirement; 0% for retirees under age 50 at retirement

Discount Rate

Because the RHCP is unfunded or pay-as-you go, the discount rate is based on 20 year tax-exempt AA or higher Municipal Bonds or 3.71% as of the measurement date of December 31, 2018 based on the 20 Year Bond GO Index published by bondbuyer.com.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	$ 1,029,545
Changes for the year:	
Service cost	41,530
Interest (on the Total OPEB Liability)	34,038
Difference between expected and actual experience	(10,983)
Chages of assumptions	(40,515)
Benefit payments	(43,918)
Balance at 12/31/2018	$ 1,009,697

Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease	Current Single Rate Assumption	1% Increase
2.71%	3.71%	4.71%
$1,114,656	$1,009,697	$916,435

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$894,474	$1,009,697	$1,147,466

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of $75,314. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ -	$ 9,692
Changes in assumptions	37,743	35,753
Employer contributions made after the measurement date	41,954	-
Totals	$ 79,697	$ 45,445

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

City contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2018) and prior to year-end (September 30, 2019) will be recognized in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2020	$ (254)
2021	(254)
2022	(254)
2023	(254)
2024	(254)
Thereafter	(6,432)
Total	$ (7,702)

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts such as: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Risk Pool) to provide general liability and property insurance and workers' compensation.

The City, along with other participating entities, contributes annual amounts determined by the Risk Pool. Contributions to the Risk Pool for workers' compensation are based on the City's payroll. As claims arise they are submitted to and paid by the Risk Pool.

The liability of the Texas Municipal League Intergovernmental Risk Pool is limited to a $2,000,000 annual aggregate for general liability, errors and omissions, and law enforcement. The automobile liability limit for the risk pool is $1,000,000 for each occurrence.

There have been no significant changes in insurance coverage as compared to last year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 - LITIGATION

Various claims and lawsuits are pending against the City of Watauga. In the opinion of the City's Legal Counsel and Management, the potential losses will not have a material effect on the City's financial statements.

NOTE 11 - OPERATING LEASE

The City is committed under various noncancelable operating leases, primarily for equipment (principally in the General Fund). Future minimum operating lease commitments are as follows:

2020	$ 37,663
	$ 37,663

Lease and rental expenditures were $46,245 for the year ended September 30, 2019.

NOTE 12 - FUND BALANCE RESTRICTIONS

Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors are classified as restricted fund balance. A summary of restricted fund balance in the governmental funds at September 30, 2019, follows:

	G.O. Debt Service Funds	G.O. Capital Projects Fund	Non Major Governmental Funds
Capital acquisitions and contractual obligations	$ -	$ 10,332,282	$ 244,179
Debt service	659,604	-	-
Culture and recreation:			
Park improvements	-	-	878,509
Library purposes	-	-	44,275
	-	-	922,784
Public works:			
PEG Fees	-	-	45,246
Street maintenance	-	-	1,438,292
	-	-	1,483,538
Public safety:			
Law enforcement	-	-	1,307,297
Municipal court operations	-	-	224,916
	-	-	1,532,213
Total	$ 659,604	$ 10,332,282	$ 4,182,714

NOTE 13 - SUBSEQUENT EVENT

In December 2019, the City approved to refund water customers their water deposits if there accounts were in good standing for the prior two years. The City credited 3,002 customer's bills in the amount of $202,510. The City will begin refunding all customer deposits as credits to their water bill after two years if the customer's account remains in good standing.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATAUGA, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes and franchise fees	$ 9,640,000	$ 9,640,000	$ 9,670,695	$ 30,695
Licenses and permits	529,000	529,000	467,737	(61,263)
Charges for services	760,000	760,000	741,687	(18,313)
Fines and forfeitures	745,700	745,700	476,291	(269,409)
Interest income	101,100	101,100	106,381	5,281
Intergovernmental	502,600	502,600	479,086	(23,514)
Miscellaneous	258,100	258,100	318,859	60,759
Total Revenues	12,536,500	12,536,500	12,260,736	(275,764)
Expenditures				
Current:				
Administration	317,800	317,800	300,357	17,443
Non-departmental	1,366,700	1,478,700	1,376,608	102,092
Human resources	168,250	168,250	158,851	9,399
Finance	459,850	459,850	451,096	8,754
MIS	395,050	395,050	377,466	17,584
Municipal Court	410,450	418,450	417,288	1,162
Library	985,700	985,700	980,084	5,616
Recreation and community services	751,250	706,082	698,482	7,600
Police	4,074,650	3,979,650	3,894,882	84,768
Fire/EMS	2,576,350	2,576,350	2,535,777	40,573
Public works	819,380	839,548	740,393	99,155
Fleet maintenance	203,800	203,800	195,657	8,143
Buildings	819,000	819,000	783,999	35,001
Total Expenditures	13,348,230	13,348,230	12,910,940	437,290
Excess (deficiency) of revenues over expenditures	(811,730)	(811,730)	(650,204)	161,526
Other Financing Sources (Uses)				
Transfers in	568,000	568,000	544,486	(23,514)
Transfers out	(47,500)	(47,500)	(47,500)	-
Total other financing sources and uses	520,500	520,500	496,986	(23,514)
Net change in fund balances	(291,230)	(291,230)	(153,218)	138,012
Fund balance, beginning of year	4,571,559	4,571,559	4,571,559	-
Fund balance, end of year	$ 4,280,329	$ 4,280,329	$ 4,418,341	$ 138,012

CITY OF WATAUGA, TEXAS
NOTES TO REQUIRED SUPPLEMENTARTY BUDGET INFORMATION
Year Ended September 30, 2019

BUDGETARY CONTROLS AND PROCEDURES

The City Charter follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.

- The proposed budget and all supporting schedules are filed with the City Secretary when submitted to City Council.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to September 15, the budget is adopted by affirmative vote of at least two thirds of the members of the City Council.

- The City Manager is authorized to transfer budgeted amounts between programs within a department; however, any revisions that alter the total expenditures of any department must be approved by the City Council.

- If at any time during a fiscal year, it is estimated by the City Manager that current year's expenditures in any fund will exceed available revenues (including fund balance at the start of the year), the City Manager shall recommend measures to the City Council to ensure that a positive fund balance is maintained.

- Budgets for the General, Special Revenue, Debt Service and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as amended by the City Council. Such appropriations lapse at year-end.

- Budgetary data for the Capital Projects Fund has not been presented in the accompanying financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Fund is employed and comparison of actual results of operations to budgetary data for such funds is not presented.

- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Enterprise Funds. Budgetary control is maintained at the departmental level.

- Budgetary data for the Enterprise Funds has not been presented since the reporting on such budgets is not legally required. Budgetary control is maintained at the departmental level.

CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Five Measurement Years

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	$ 1,577,540	$ 1,531,337	$ 1,513,714	$ 1,484,819	$ 1,278,209
Interest	3,256,548	3,067,400	2,907,277	2,804,072	2,632,122
Difference between expected and actual experience	22,136	(100,072)	(570,355)	(273,667)	(422,782)
Change in assumptions	-	-	-	60,403	-
Benefit payments, including refunds of employee contributions	(1,548,423)	(1,890,714)	(1,083,810)	(1,071,136)	(1,197,706)
Net change in total pension liability	3,307,801	2,607,951	2,766,826	3,004,491	2,289,843
Total pension liability - beginning	48,230,601	45,622,650	42,855,824	39,851,333	37,561,490
Total pension liability - ending (a)	$ 51,538,402	$ 48,230,601	$ 45,622,650	$ 42,855,824	$ 39,851,333
Plan fiduciary net position:					
Contributions - employer	$ 1,289,939	$ 1,259,752	$ 1,197,145	$ 1,245,119	$ 1,115,845
Contributions - employee	664,427	642,263	636,779	652,873	609,276
Net investment income	(1,332,865)	5,418,502	2,428,960	51,790	1,871,755
Benefit payments, including refunds of employee contributions	(1,548,423)	(1,890,714)	(1,083,810)	(1,071,136)	(1,197,706)
Administrative expense	(25,758)	(28,079)	(27,433)	(31,544)	(19,541)
Other	(1,345)	(1,423)	(1,478)	(1,558)	(1,607)
Net change in plan fiduciary net position	(954,025)	5,400,301	3,150,163	845,544	2,378,022
Plan fiduciary net position - beginning	44,492,648	39,092,347	35,942,184	35,096,640	32,718,618
Plan fiduciary net position - ending (b)	$ 43,538,623	$ 44,492,648	$ 39,092,347	$ 35,942,184	$ 35,096,640
Net pension liability - ending (a) - (b)	$ 7,999,779	$ 3,737,953	$ 6,530,303	$ 6,913,640	$ 4,754,693
Plan fiduciary net position as a percentage of total pension liability	84.48%	92.25%	85.69%	83.87%	88.07%
Covered payroll	$9,491,816	$9,175,179	$9,096,836	$9,326,755	$8,703,943
Net pension liability as a percentage of covered payroll	84.28%	40.74%	71.79%	74.13%	54.63%

The amounts presented are for each measurement year, which end the preceding December 31st of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
Last Eight Fiscal Years

	Fiscal Year							
	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contributions	$1,332,221	$1,274,565	$1,259,325	$1,194,583	$1,190,315	$1,108,798	$ 1,082,831	$1,129,470
Contributions in relation to the actuarially determined contribution	1,332,221	1,274,565	1,259,325	1,194,583	1,190,315	1,108,798	1,082,831	1,129,470
Contribution deficiency(excess)	-	-	-	-	-	-	-	-
Covered payroll	9,849,847	9,351,625	9,169,310	9,040,337	9,005,317	8,638,774	8,473,213	8,852,583
Contributions as a percentage of Covered payroll	13.53%	13.63%	13.73%	13.21%	13.22%	12.84%	12.78%	12.76%

Notes: Actuarially determined contribution rates are calculated as of December 31st and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation to an experience study for the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	
Notes	There were no benefit changes during the year.

CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Measurement Year

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT PLAN

	2018	2017
Total OPEB liability:		
Service cost	$ 24,679	$ 20,185
Interest	15,283	14,766
Change in assumptions	(32,318)	36,678
Benefit payments, including refunds of employee contributions	(2,848)	(2,753)
Net change in total OPEB liability	(23,680)	68,876
Total OPEB liability - beginning	450,793	381,917
Total OPEB liability - ending	$ 427,113	$ 450,793
Covered payroll	$9,491,816	$9,175,179
Total OPEB liability as a percentage of covered payroll	4.50%	4.91%

CITY OF WATAUGA, TEXAS RETIREE HEALTH PLAN

	2018	2017
Total OPEB liability:		
Service cost	$ 41,530	$ 36,285
Interest	34,038	35,912
Change in assumptions	(40,515)	49,341
Benefit payments, including refunds of employee contributions	(43,918)	(32,844)
Net change in total OPEB liability	(19,848)	88,694
Total OPEB liability - beginning	1,029,545	940,851
Total OPEB liability - ending	$ 1,009,697	$ 1,029,545
Covered payroll	$9,791,192	$9,013,440
Total OPEB liability as a percentage of covered payroll	10.31%	11.42%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Watauga Economic Development Corporation Sales Tax Fund – to account for a quarter-cent sales tax increase, approved by voters, encourage the development and advance of City businesses, development and parks within the City.

Watauga Crime Control and Prevention Fund – to account for a half-cent sales tax increase approved by the voters to enhance law enforcement in Watauga.

Library Donation Fund – to account for public donations made to the City specifically for the benefit of the public library.

Municipal Court Security Fund – to account for a fee established in the 1997 Texas Legislative session to allow a $3 assessment on all court fines paid. This assessment allows municipalities to purchase security equipment such as surveillance cameras, bulletproof glass and bailiff costs for Municipal Court areas.

Municipal Court Technology Fund – to account for a fee established in the 1997 Texas legislative session to allow a $4 assessment on all court fines paid. This assessment allows municipalities to purchase and maintain technology equipment such as computer hardware and software for the benefit of the Municipal Court.

Municipal Court Juvenile Case Manager Fund – to account for a fee established and approved by City Council January 28, 2008 to allow a $5 assessment per misdemeanor offense. Fees are paid out of this fund to pay personnel costs of the Municipal Court Juvenile Case Manager.

Traffic Safety Fund – to account for civil or administrative penalties to no more than $75 and late penalties to no more than $25. Legislation passed by 80th Texas Legislature allows a local government entity to use a photographic traffic signal enforcement system. One-half the net revenue from this fund is remitted to the Texas Comptroller for deposit into a Regional Trauma Account.

Street Maintenance Sales Tax Fund – to account for a quarter-cent sales tax approved by voters on May 12, 2012 for an initial four years effective October 1, 2012, and reauthorized in May 2016. The purpose of the sales tax is to provide for the maintenance and repair of municipal streets in existence at the time of the vote.

PEG Fund – to account for the expenditures for Public, Educational, and Government (PEG) Access programming is supported by the PEG fee that is assessed to each cable subscriber.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Watauga Economic Development Corporation Construction Fund – to account for construction projects in for the Economic Development Corporation.

CITY OF WATAUGA, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
September 30, 2019

	WEDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund
ASSETS					
Cash and cash equivalents	$ 122,081	$ 445,089	$ 11,018	$ 620	$ 50,012
Investments	645,981	712,081	33,108	-	67,915
Accounts receivable	123,096	243,550	149	-	19
Prepaids and deposits	2,377	11,473	-	240	-
Total assets	$ 893,535	$ 1,412,193	$ 44,275	$ 860	$ 117,946
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,413	$ 14,205	$ -	$ 8	$ -
Accrued liabilities	11,236	30,143	-	668	-
Due to other funds	-	690,597	-	-	-
Total liabilities	12,649	734,945	-	676	-
FUND BALANCES					
Non-spendable					
Prepaid items	2,377	11,473	-	240	-
Restricted					
Capital acquisitions and contractual obligations	-	-	-	-	-
Debt service	-	-	-	-	-
Culture and recreation	878,509	-	44,275	-	-
Public works	-	-	-	-	-
Public safety	-	665,775	-	(56)	117,946
Total Fund Balances	880,886	677,248	44,275	184	117,946
Total Liabilities and Fund Balances	$ 893,535	$ 1,412,193	$ 44,275	$ 860	$ 117,946

Municipal Court Juvenile Case Manager Fund	Traffic Safety Fund	Street Maintenance Sales Tax Fund	PEG Fund	WEDC Construction Fund	Total Non major Governmental Funds
$ 46,576	$ 1,021,154	$ 221,158	$ 45,246	$ 95,156	$ 2,058,110
61,087	-	1,094,949	-	149,517	2,764,638
17	-	123,135	-	36	490,002
324	1,097	-	-	-	15,511
$ 108,004	$ 1,022,251	$ 1,439,242	$ 45,246	$ 244,709	$ 5,328,261
$ -	$ 368,394	$ 950	$ -	$ 530	$ 385,500
710	11,182	-	-	-	53,939
-	-	-	-	-	690,597
710	379,576	950	-	530	1,130,036
324	1,097	-	-	-	15,511
-	-	-	-	244,179	244,179
-	-	-	-	-	-
-	-	-	-	-	922,784
-	-	1,438,292	45,246	-	1,483,538
106,970	641,578	-	-	-	1,532,213
107,294	642,675	1,438,292	45,246	244,179	4,198,225
$ 108,004	$ 1,022,251	$ 1,439,242	$ 45,246	$ 244,709	$ 5,328,261

CITY OF WATAUGA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2019

	WEDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund
Revenues					
Taxes	$ 746,760	$ 1,477,348	$ -	$ -	$ -
Fines and forfeitures	-	-	-	-	-
Interest income	22,868	21,951	1,005	-	2,935
Miscellaneous	-	63,377	6,576	8,998	11,974
Total revenues	769,628	1,562,676	7,581	8,998	14,909
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	1,555,854	-	8,992	6,837
Culture and recreation	669,548	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	5,500	12,486	-	-	-
Total Expenditures	675,048	1,568,340	-	8,992	6,837
Excess (deficiency) of revenues over expenditures	94,580	(5,664)	7,581	6	8,072
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(50,900)	(44,000)	-	-	-
Total other financing sources (uses)	(50,900)	(44,000)	-	-	-
Net change in fund balances	43,680	(49,664)	7,581	6	8,072
Fund balances - beginning	837,206	726,912	36,694	178	109,874
Fund balances - ending	$ 880,886	$ 677,248	$ 44,275	$ 184	$ 117,946

Municipal Court Juvenile Case Manager Fund	Traffic Safety Fund	Street Maintenance Sales Tax Fund	PEG Fund	WEDC Construction Fund	Total Non major Governmental Funds
$ -	$ -	$ 746,004	$ -	$ -	$ 2,970,112
-	847,307	-	-	-	847,307
2,957	3,106	37,340	712	8,453	101,327
14,968	-	-	28,687	-	134,580
17,925	850,413	783,344	29,399	8,453	4,053,326
-	-	-	2,556	-	2,556
29,763	676,128	-	-	-	2,277,574
-	-	-	-	-	669,548
-	-	79,558	-	-	79,558
-	-	384,826	-	138,632	541,444
29,763	676,128	464,384	2,556	138,632	3,570,680
(11,838)	174,285	318,960	26,843	(130,179)	482,646
-	-	-	-	-	-
-	-	-	-	-	(94,900)
-	-	-	-	-	(94,900)
(11,838)	174,285	318,960	26,843	(130,179)	387,746
119,132	468,390	1,119,332	18,403	374,358	3,810,479
$ 107,294	$ 642,675	$ 1,438,292	$ 45,246	$ 244,179	$ 4,198,225

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WEDC SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Taxes	$ 728,000	$ 746,760	$ 18,760
Interest income	7,500	22,868	15,368
Total Revenues	735,500	769,628	34,128
Expenditures			
Current:			
Culture and recreation	738,190	669,548	68,642
Capital Outlay	5,500	5,500	-
Total Expenditures	743,690	675,048	68,642
Excess (deficiency) of revenues over expenditures	(8,190)	94,580	102,770
Other financing sources (uses)			
Transfers out	(50,900)	(50,900)	-
Total other financing sources (uses)	(50,900)	(50,900)	-
Net change in fund balances	(59,090)	43,680	102,770
Fund balances, beginning of year	837,206	837,206	-
Fund balances, end of year	$ 778,116	$ 880,886	$ 102,770

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WATAUGA CRIME CONTROL AND PREVENTION SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Taxes	$ 1,436,000	$ 1,477,348	$ 41,348
Interest income	9,000	21,951	12,951
Miscellaneous	48,000	63,377	15,377
Total revenues	1,493,000	1,562,676	69,676
Expenditures			
Current:			
Public safety	1,676,870	1,555,854	121,016
Capital Outlay	12,000	12,486	(486)
Total expenditures	1,688,870	1,568,340	120,530
Excess (deficiency) of revenues over expenditures	(195,870)	(5,664)	190,206
Other financing sources (uses)			
Transfers out	(44,000)	(44,000)	-
Total other financing sources (uses)	(44,000)	(44,000)	-
Net change in fund balances	(239,870)	(49,664)	190,206
Fund balances, beginning of year	726,912	726,912	-
Fund balances, end of year	$ 487,042	$ 677,248	$ 190,206

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LIBRARY DONATION SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 50	$ 1,005	$ 955
Miscellaneous	6,000	6,576	576
Total Revenues	6,050	7,581	1,531
Expenditures			
Current:			
Culture and recreation	14,200	-	14,200
Total expenditures	14,200	-	14,200
Net change in fund balances	(8,150)	7,581	15,731
Fund balances, beginning of year	36,694	36,694	-
Fund balances, end of year	$ 28,544	$ 44,275	$ 15,731

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 50	$ -	$ (50)
Miscellaneous	15,000	8,998	(6,002)
Total Revenues	15,050	8,998	(6,052)
Expenditures			
Current:			
Public safety	15,495	8,992	6,503
Total Expenditures	15,495	8,992	6,503
Net change in fund balances	(445)	6	451
Fund balances, beginning of year	178	178	-
Fund balances, end of year	$ (267)	$ 184	$ 451

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 300	$ 2,935	$ 2,635
Miscellaneous	19,000	11,974	(7,026)
Total revenues	19,300	14,909	(4,391)
Expenditures			
Current:			
Public safety	10,300	6,837	3,463
Total expenditures	10,300	6,837	3,463
Net change in fund balances	9,000	8,072	(928)
Fund balances, beginning of year	109,874	109,874	-
Fund balances, end of year	$ 118,874	$ 117,946	$ (928)

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT JUVENILE CASE MANAGER SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 200	$ 2,957	$ 2,757
Miscellaneous	25,000	14,968	(10,032)
Total Revenues	25,200	17,925	(7,275)
Expenditures			
Current:			
Public safety	31,200	29,763	1,437
Total expenditures	31,200	29,763	1,437
Net change in fund balances	(6,000)	(11,838)	(5,838)
Fund balances, beginning of year	119,132	119,132	-
Fund balances at year end	$ 113,132	$ 107,294	$ (5,838)

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Fines and forfeits	$ 800,000	$ 847,307	$ 47,307
Interest income	-	3,106	3,106
Total Revenues	800,000	850,413	50,413
Expenditures			
Current:			
Public safety	781,360	676,128	105,232
Total expenditures	781,360	676,128	105,232
Net change in fund balances	18,640	174,285	155,645
Fund balances, beginning of year	468,390	468,390	-
Fund balances at year end	$ 487,030	$ 642,675	$ 155,645

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STREET MAINTENANCE SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Original Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Sales taxes	$ 723,000	$ 746,004	$ 23,004
Interest income	9,000	37,340	28,340
Total revenues	732,000	783,344	51,344
Expenditures			
Public works	108,000	79,558	28,442
Capital outlay	600,000	384,826	215,174
Total expenditures	708,000	464,384	243,616
Net change in fund balances	24,000	318,960	294,960
Fund balances, beginning of year	1,119,332	1,119,332	-
Fund balances at year end	$ 1,143,332	$ 1,438,292	$ 294,960

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PEG SPECIAL REVENUE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ -	$ 712	$ 712
Miscellaneous	12,800	28,687	15,887
Total revenues	12,800	29,399	16,599
Expenditures			
Current:			
General government	3,000	2,556	444
Total expenditures	3,000	2,556	444
Excess (deficiency) of revenues over expenditures	9,800	26,843	17,043
Other Financing Sources (Uses)			
Operating Transfers In	-	-	-
Net change in fund balances	9,800	26,843	17,043
Fund balances, beginning of year	18,403	18,403	-
Fund balances, end of year	$ 28,203	$ 45,246	$ 17,043

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL OBLIGATION DEBT SERVICE FUND
Year Ended September 30, 2019

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Taxes			
Property taxes	$ 2,432,000	$ 2,412,754	$ (19,246)
Penalties and interest	10,000	11,823	1,823
Interest income	800	20,244	19,444
Total revenues	2,442,800	2,444,821	2,021
Expenditures			
Debt service			
Principal	1,880,000	1,880,000	-
Interest	616,122	616,120	2
Total expenditures	2,496,122	2,496,120	2
Net change in fund balances	(53,322)	(51,299)	2,023
Fund balances, beginning of year	710,903	710,903	-
Fund balances at year end	$ 657,581	$ 659,604	$ 2,023

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STATISTICAL SECTION
(Unaudited)

STATISTICAL SECTION

This part of the City of Watauga's Comprehensive Annual Financial Report provides detailed information to help the reader better understand information presented within the financial statements, note disclosures, and required supplementary information and how they relate to the City's overall financial health.

Financial Trends Contains trend information to aid the reader in understanding how the City's financial performance has changed over time.	(Tables 1-4)
Revenue Capacity Contains information to help the reader assess the City's most significant local revenue sources, the property tax and water revenues.	(Tables 5-10)
Debt Capacity Presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	(Tables 11-14)
Demographic and Economic Information Offers information to help the reader understand the environment within which the City's financial activities take place.	(Tables 15-16)
Operating Information Contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.	(Tables 17-19)

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF WATAUGA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2010 (1)	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	$ 32,581,629	$ 32,223,143	$ 34,487,229	$ 36,189,453	$ 36,422,084	$ 36,792,569	$ 36,945,402	$ 37,278,290	$ 38,660,904	$ 38,606,089
Restricted	2,922,789	5,172,892	4,065,171	3,434,419	3,627,883	3,488,244	3,833,368	4,620,450	4,457,373	4,779,207
Unrestricted	5,712,161	4,841,861	3,944,350	3,550,813	3,901,351	1,320,284	845,314	407,478	(371,133)	(725,644)
Total governmental activities net position	$ 41,216,579	$ 42,237,896	$ 42,496,750	$ 43,174,685	$ 43,951,318	$ 41,601,097	$ 41,624,084	$ 42,306,218	$ 42,747,144	$ 42,659,652
Business-type activities										
Net investment in capital assets	$ 17,035,479	$ 13,630,412	$ 19,182,389	$ 19,337,856	$ 20,531,108	$ 21,545,419	$ 24,344,617	$ 24,042,159	$ 23,944,294	$ 24,452,425
Restricted	36,788	38,565	58,469	71,731	87,591	18,283	-	-	-	-
Unrestricted	4,383,221	8,059,411	4,053,800	5,337,852	5,506,717	4,493,409	3,139,921	4,705,617	6,210,337	5,887,374
Total business-type activities net position	$ 21,455,488	$ 21,728,388	$ 23,294,658	$ 24,747,439	$ 26,125,416	$ 26,057,111	$ 27,484,538	$ 28,747,776	$ 30,154,631	$ 30,154,631
Primary government										
Net investment in capital assets	$ 49,617,108	$ 45,853,555	$ 53,669,618	$ 55,527,309	$ 56,953,192	$ 58,337,988	$ 61,290,019	$ 61,320,449	$ 62,605,198	$ 63,058,514
Restricted	2,959,577	5,211,457	4,123,640	3,506,150	3,715,474	3,506,527	3,833,368	4,620,450	4,457,373	4,779,207
Unrestricted	10,095,382	12,901,272	7,998,150	8,888,665	9,408,068	5,813,693	3,985,235	5,113,095	5,839,204	5,161,730
Total primary government net position	$ 62,672,067	$ 63,966,284	$ 65,791,408	$ 67,922,124	$ 70,076,734	$ 67,658,208	$ 69,108,622	$ 71,053,994	$ 72,901,775	$ 72,999,451

Source: Comprehensive Annual Financial Reports

(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.

Table 2

CITY OF WATAUGA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2010 (1)	2011 (1)	2012	2013	2014	2015	2016	2017	2018 (1)	2019
Expenses										
Governmental activities:										
General Government	$ 5,051,415	$ 5,631,743	$ 6,334,463	$ 5,965,810	$ 5,946,991	$ 5,978,427	$ 6,199,213	$ 3,522,986	$ 5,584,813	$ 7,521,311
Public Safety	4,431,774	4,754,148	4,678,418	5,135,677	5,121,732	5,436,979	6,038,193	5,845,630	5,808,608	6,643,155
Public Works	2,136,811	2,008,511	1,771,771	1,473,221	1,980,003	1,323,932	987,456	2,472,838	2,879,680	2,348,520
Culture and Recreation	1,648,292	2,372,064	2,467,403	2,372,941	2,411,179	3,073,296	3,719,332	5,095,575	2,610,257	2,767,462
Interest on long-term debt	560,285	471,940	755,827	496,694	364,167	385,505	282,586	411,910	381,932	562,654
Total governmental activities expenses	13,828,577	15,238,406	16,007,882	15,444,343	15,824,072	16,198,139	17,226,780	17,348,939	17,265,290	19,843,102
Business-type activities:										
Water and Sewer	6,260,844	6,199,136	6,458,485	6,502,520	6,416,253	7,228,169	7,300,779	6,979,614	6,707,331	8,220,965
Drainage Utility	843,690	914,987	1,080,620	1,152,248	1,087,378	946,494	932,806	978,469	1,015,534	1,066,306
Total business-type activities expenses	7,104,534	7,114,123	7,539,105	7,654,768	7,503,631	8,174,663	8,233,585	7,958,083	7,722,865	9,287,271
Total primary government expenses	$ 20,933,111	$ 22,352,529	$ 23,546,987	$ 23,099,111	$ 23,327,703	$ 24,372,802	$ 25,460,365	$ 25,307,022	$ 24,988,155	$ 29,130,373
Program Revenues										
Governmental activities:										
Fees, Fines, and Charges for services:										
General Government	$ 212,514	$ 320,960	$ 90,425	$ 133,938	$ 125,385	$ 123,006	$ 131,200	$ 126,955	$ 177,819	$ 189,931
Public Safety	1,330,535	1,772,981	1,994,440	1,660,967	1,852,051	1,799,906	2,015,413	1,998,687	1,819,361	1,877,057
Public Works	214,136	244,236	456,805	430,403	489,628	468,706	634,100	612,106	909,678	654,129
Culture and recreation	390,920	442,579	233,136	254,023	273,498	272,611	274,796	261,019	252,208	236,478
Operating grants and contributions	62,761	20,646	16,909	20,088	16,438	13,959	35,537	16,111	38,350	22,240
Capital grants and contributions	161,482	168,941	-	209,350	-	-	-	-	-	-
Total governmental activities program revenues	2,372,348	2,970,343	2,791,715	2,708,769	2,757,000	2,678,188	3,091,046	3,014,878	3,197,416	2,979,835
Business-type activities:										
Charges for services:										
Water and Sewer	6,683,362	7,040,653	8,221,767	8,159,949	7,894,765	7,877,686	8,660,723	8,206,963	8,223,078	8,222,931
Drainage Utility	700,295	702,665	1,296,024	1,413,708	1,416,053	1,419,324	1,410,213	1,419,460	1,451,829	1,470,182
Capital grants and contributions	-	-	-	-	16	-	-	-	-	-
Total business-type activities program revenues	7,383,657	7,743,318	9,517,791	9,573,657	9,310,834	9,297,010	10,070,936	9,626,423	9,674,907	9,693,113
Total primary government program revenues	$ 9,756,005	$ 10,713,661	$ 12,309,506	$ 12,282,426	$ 12,067,834	$ 11,975,198	$ 13,161,982	$ 12,641,301	$ 12,872,323	$ 12,672,948

(1) In 2018, expenses were reclassified from Culture and Recreation to Public Works for presentation purposes.

CITY OF WATAUGA
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	2010 (1)	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental activities	$ (11,456,229)	$ (12,268,063)	$ (13,216,167)	$ (12,735,574)	$ (13,067,072)	$ (13,519,951)	$ (14,135,734)	$ (14,334,061)	$ (14,067,874)	$ (16,863,267)
Business-type activities	279,123	629,195	1,978,686	1,918,889	1,807,203	1,122,347	1,837,351	1,668,340	1,952,042	405,842
Total primary government net expense	$ (11,177,106)	$ (11,638,868)	$ (11,237,481)	$ (10,816,685)	$ (11,259,869)	$ (12,397,604)	$ (12,298,383)	$ (12,665,721)	$ (12,115,832)	$ (16,457,425)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 5,947,914	$ 5,627,282	$ 5,689,606	$ 5,627,201	$ 5,677,248	$ 5,943,336	$ 6,246,764	$ 7,022,618	$ 7,430,079	$ 8,033,015
Franchise taxes	1,039,844	1,216,628	1,090,651	1,065,054	1,125,164	1,184,339	1,114,190	1,003,842	925,895	989,642
Sales taxes	5,144,963	5,626,261	5,685,949	5,675,542	6,008,050	6,284,432	5,868,069	5,814,302	5,850,480	6,013,849
Penalties and Interest	44,805	40,246	39,239	33,006	32,724	42,000	32,295	39,561	35,044	39,218
Payments in lieu of taxes	360,928	370,075	460,537	471,721	469,219	458,232	370,897	457,222	497,961	479,086
Investment earnings	69,855	38,733	32,675	25,392	10,763	29,030	68,650	152,516	280,383	589,104
Miscellaneous	-	-	15,828	43,872	51,317	26,435	3,960	9,439	8,946	55,275
Transfers	360,928	370,155	460,537	471,721	469,219	578,070	453,897	516,695	543,961	576,586
Total governmental activities	12,969,237	13,289,380	13,475,022	13,413,509	13,843,704	14,545,874	14,158,722	15,016,195	15,572,749	16,775,775
Business-type activities:										
Investment earnings	24,115	13,860	8,256	5,613	3,384	21,017	43,863	103,443	222,974	353,387
Miscellaneous revenue	-	-	39,865	-	36,608	5,008	110	8,150	-	2,525
Transfers	(360,928)	(370,155)	(460,537)	(471,721)	(469,219)	(578,070)	(453,897)	(516,695)	(543,961)	(576,586)
Total business-type activities	(336,813)	(356,295)	(412,416)	(466,108)	(429,227)	(552,045)	(409,924)	(405,102)	(320,987)	(220,674)
Total primary government	$ 12,632,424	$ 12,933,085	$ 13,062,606	$ 12,947,401	$ 13,414,477	$ 13,993,829	$ 13,748,798	$ 14,611,093	$ 15,251,762	$ 16,555,101
Change in Net Position										
Governmental activities	$ 1,513,008	$ 1,021,317	$ 258,855	$ 677,935	$ 776,632	$ 1,025,923	$ 22,988	$ 682,134	$ 1,504,875	$ (87,492)
Business-type activities	(57,690)	272,900	1,566,270	1,452,781	1,377,976	570,302	1,427,427	1,263,238	1,631,055	185,168
Total primary government	$ 1,455,318	$ 1,294,217	$ 1,825,125	$ 2,130,716	$ 2,154,608	$ 1,596,225	$ 1,450,415	$ 1,945,372	$ 3,135,930	$ 97,676

Source: Comprehensive Annual Financial Reports

(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.

Table 3

CITY OF WATAUGA
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2010	2011**	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Non-spendable										
Inventories		$ 19,280	$ 30,009	$ 16,182	$ 16,095	$ 17,389	$ 17,636	$ 20,440	$ 21,487	$ 20,776
Prepaid		-	1,060	8,602	106,545	91,173	184,729	20,491	8,651	80,547
Assigned										
Other purposes		37,698	30,512	-	-	-	-	-	-	-
Unassigned		6,136,979	5,584,021	5,516,922	5,914,070	5,734,435	5,274,387	4,490,902	4,541,421	4,317,018
Total general fund**		$ 6,193,957	$ 5,645,602	$ 5,541,706	$ 6,036,710	$ 5,842,997	$ 5,476,752	$ 4,531,833	$ 4,571,559	$ 4,418,341
Reserved*	$ 27,870	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	6,339,861	-	-	-	-	-	-	-	-	-
Total general fund	$ 6,367,731	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
All Other Governmental Funds										
Non-spendable										
Prepaid items		$ 789,450	$ -	$ -	$ 7,770	$ 26,021	$ 6,766	$ 7,198	$ 10,265	$ 15,511
Restricted										
Capital acquisitions and contractual obligations		5,179,695	2,976,396	2,356,746	5,239,060	4,076,280	8,578,094	5,919,345	10,908,618	10,576,461
Debt service		444,941	469,446	485,087	540,837	342,274	397,992	539,900	710,903	659,604
Culture and recreation		1,979,061	1,933,581	914,222	742,157	695,139	751,871	838,576	869,225	922,784
Public Works		-	-	210,288	421,174	654,858	818,069	1,084,390	1,137,735	1,483,538
Public Safety		2,034,849	1,222,484	1,345,927	1,389,689	1,500,796	1,493,577	1,768,676	1,418,896	1,532,213
Total all other governmental funds		$ 10,427,996	$ 6,601,907	$ 5,312,270	$ 8,340,687	$ 7,295,368	$ 12,046,369	$ 10,158,085	$ 15,055,642	$ 15,190,111
Reserved	$ 574,998	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	2,922,789	-	-	-	-	-	-	-	-	-
Capital projects funds	4,006,543	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 7,504,330	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Note: *Includes encumbrances and prepaid items
** Beginning 2011, fund balances are reported using GASB 54 classifications
Source: Comprehensive Annual Financial Reports

Table 4

CITY OF WATAUGA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes and franchise fees	$ 12,189,384	$ 12,523,295	$ 12,464,130	$ 12,407,885	$ 12,822,665	$ 13,471,718	$ 13,263,260	$ 13,867,337	$ 14,235,932	$ 15,065,384
Licenses and permits	218,013	262,778	270,716	250,579	309,592	285,258	454,991	428,530	726,796	467,737
Charges for services	699,238	680,564	664,507	625,613	777,747	748,687	741,565	745,127	757,088	741,687
Fines and forfeitures	884,038	1,439,291	1,593,653	1,351,756	1,396,063	1,298,897	1,563,928	1,522,589	1,406,351	1,323,598
Interest income	69,855	37,640	32,208	24,871	10,252	26,987	59,651	139,237	247,840	523,066
Intergovernmental	360,928	370,075	460,537	471,721	469,219	458,232	370,897	457,222	497,961	479,086
Miscellaneous	544,859	648,553	262,839	511,617	306,504	320,016	364,976	314,273	337,048	453,439
Total revenues	14,966,315	15,962,196	15,748,590	15,644,042	16,092,042	16,609,795	16,819,268	17,474,315	18,209,016	19,053,997
Expenditures										
General government	4,822,147	5,529,085	5,864,502	5,420,278	5,377,270	5,728,240	5,760,512	5,870,276	6,233,602	6,575,902
Public Safety	4,096,391	4,478,774	4,889,939	4,684,746	4,964,649	5,071,414	5,464,615	5,750,992	5,660,947	6,171,464
Culture and recreation	1,986,185	2,080,067	2,189,744	2,092,790	2,029,768	1,992,632	2,041,848	2,114,393	2,309,572	2,339,355
Public Works	741,395	776,906	876,295	910,769	889,230	1,016,998	1,102,216	1,165,026	1,034,613	853,455

CITY OF WATAUGA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital outlay	$ 1,594,427	$ 3,935,880	$ 4,154,050	$ 2,414,949	$ 1,231,682	$ 1,771,807	$ 2,203,694	$ 3,419,723	$ 2,897,996	$ 1,398,668
Debt service										
Interest	550,788	591,733	558,491	529,045	484,055	428,072	471,377	474,609	537,198	640,098
Principal	1,529,255	1,540,000	2,066,378	1,515,502	1,587,774	1,850,150	1,447,632	1,695,225	1,727,935	1,945,767
Total expenditures	15,320,588	18,932,445	20,599,399	17,568,079	16,564,428	17,859,313	18,491,894	20,490,244	20,401,863	19,924,709
Excess of revenues over (under) expenditures	(354,273)	(2,970,249)	(4,850,809)	(1,924,037)	(472,386)	(1,249,518)	(1,672,626)	(3,015,929)	(2,192,847)	(870,712)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	5,284,887	-	-	3,594,057	-	5,885,000	-	6,780,000	425,000
Proceeds from refunding	-	1,020,000	-	2,145,000	-	-	-	-	-	-
Payments to escrow agent	-	(1,002,832)	-	(2,099,293)	-	-	-	-	-	-
Premiums on general obligation debt	-		-	-	-	-	193,580	-	306,169	24,877
Sale of Asset	-	47,931	15,828	13,076	222,531	25,416	55,785	16,031	-	-
Transfers in	2,375,290	1,135,495	2,003,017	1,870,557	845,519	990,970	696,379	892,793	795,870	544,486
Transfers out	(2,014,362)	(765,340)	(1,542,480)	(1,398,836)	(576,300)	(1,095,900)	(773,362)	(726,098)	(751,909)	(142,400)
Total other financing sources (uses)	360,928	5,720,141	476,365	530,504	4,085,807	(79,514)	6,057,382	182,726	7,130,130	851,963
Net change in fund balances	$ 6,655	$ 2,749,892	$ (4,374,444)	$ (1,393,533)	$ 3,613,421	$ (1,329,032)	$ 4,384,756	$ (2,833,203)	$ 4,937,283	$ (18,749)
Debt service as a percentage of noncapital expenditures	15.2%	14.2%	16.0%	13.5%	13.5%	14.2%	11.8%	12.7%	11.1%	13.9%

Source: Comprehensive Annual Financial Reports

Table 5

CITY OF WATAUGA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Assessed (Appraised) Value: Real Property	Assessed (Appraised) Value: Personal Property	Assessed (Appraised) Value: Total Market Value	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate
2010	$ 1,039,914,283	$ 59,970,228	$ 1,099,884,511	$ 92,105,295	$ 1,007,779,216	$ 0.580763
2011	1,009,121,712	58,195,469	1,067,317,181	95,532,598	971,784,583	0.580763
2012	999,533,945	62,820,983	1,062,354,928	98,182,457	964,172,471	0.589001
2013	1,000,809,690	59,216,606	1,060,026,296	100,655,583	959,370,713	0.591216
2014	1,000,519,629	59,016,802	1,059,536,431	103,068,099	956,468,332	0.591216
2015	1,061,590,252	60,822,613	1,122,412,865	105,745,517	1,016,667,348	0.591216
2016	1,023,103,188	62,537,180	1,085,640,368	108,372,567	977,267,801	0.618718
2017	1,181,209,410	62,026,022	1,243,235,432	111,483,084	1,131,752,348	0.061841
2018	1,273,013,697	68,791,738	1,341,805,435	128,331,870	1,213,473,565	0.601788
2019	1,444,529,571	72,435,076	1,516,964,647	136,522,898	1,380,441,749	0.601788

Source: Tarrant Appraisal District (www.tad.org)

[a] Assessed value taken from original certified tax roll provided by the Tarrant Appraisal District

Table 6

City of Watauga
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)
(Unaudited)

	City Direct Rates			Overlapping Rates [a]						
Fiscal Year	M&O Rate	General Obligation Debt Service	Total Direct	Keller Ind School District	Birdville Ind School District	Tarrant County	Tarrant County Hospital	Tarrant County College	Combined Rates KISD	Combined Rates BISD
2010	$ 0.419540	$ 0.161223	$ 0.580763	$ 1.486300	$ 1.405000	$ 0.264000	$ 0.278970	$ 0.137670	$ 2.747703	$ 2.666403
2011	0.409617	0.171146	0.580763	1.530600	1.425000	0.264000	0.227897	0.137640	2.740900	2.635300
2012	0.412374	0.176627	0.589001	1.540000	1.435000	0.264000	0.227897	0.148970	2.769868	2.664868
2013	0.412107	0.179109	0.591216	1.540000	1.435000	0.264000	0.227897	0.148970	2.772083	2.667083
2014	0.410519	0.180697	0.591216	1.540000	1.435000	0.264000	0.227897	0.149500	2.772613	2.667613
2015	0.412887	0.178329	0.591216	1.540000	1.435000	0.264000	0.227897	0.149500	2.772613	2.667613
2016	0.440171	0.178547	0.618718	1.540000	1.453900	0.264000	0.227897	0.149500	2.800115	2.714015
2017	0.423017	0.195394	0.618411	1.520000	1.453900	0.254000	0.227897	0.144730	2.765038	2.698938
2018	0.419650	0.182138	0.601788	1.520000	1.453900	0.244000	0.224429	0.140060	2.730277	2.664177
2019	0.420628	0.181160	0.601788	1.510000	1.453900	0.234000	0.224429	0.136070	2.706287	2.650187

Source: Tarrant County Appraisal District - Tax Rates

Note: Rates for debt service are set based on each year's requirements.
[a] Overlapping rates are those of local and county governments that apply to property owners within the City of Watauga.

City of Watauga
Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)

	2019				2010		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value** a)	**Taxpayer**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value** b)
Inland Western Watauga Lp	$ 33,500,000	1	2.43%	Inland Western Watauga Lp	$ 23,526,704	1	2.33%
Watauga Towne Crossing LLC	26,435,350	2	1.91%	Watauga 377 LLC	20,147,560	2	2.00%
Lifestyle Christianity	13,850,000	3	1.00%	Dayton Hudson Corp.	10,274,941	3	1.02%
Park Vista Townhomes Etal	11,917,597	4	0.86%	Sci Watauga Town Ctr Fund Etal	10,561,320	4	1.05%
Brookwillow Watauga LLC	9,633,051	5	0.70%	Park Vista Townhomes	4,426,183	5	0.44%
Dayton Hudson Corp.	8,039,492	7	0.58%	Southwestern Bell	4,076,069	6	0.40%
Oncor Electric Delivery Co LLC	5,951,616	6	0.43%	Oncor Electric Delivery Co LLC	4,007,721	7	0.40%
Watauga All Storage LTD	5,828,646	8	0.42%	Watauga All Storage Ltd.	3,365,582	8	0.33%
Target Stores	4,900,000	9	0.35%	Target Stores	3,024,328	9	0.30%
Woodcrest Marketplace LP	4,761,130	10	0.34%	Watauga Assoc	2,816,374	10	0.28%
Total	$ 124,816,882		9.04%		$ 86,226,782		8.56%

Source: Tarrant Central Appraisal District

NOTE:
a) Total taxable value including real and personal property for tax year 2018 (FY 2018-19) is $1,380,441,749
b) Total taxable value including real and personal property for tax year 2010 (FY 2009-2010) is $1,007,779,216

CITY OF WATAUGA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2010	5,974,330	(2,486)	5,971,844	5,914,614	99.04%	48,950	5,963,564	99.82%
2011	5,644,747	(1,251)	5,643,496	5,590,780	99.07%	42,230	5,633,010	99.79%
2012	5,655,637	(3,438)	5,652,199	5,602,319	99.12%	36,627	5,638,946	99.77%
2013	5,644,682	(6,692)	5,637,990	5,596,849	99.27%	30,585	5,627,434	99.81%
2014	5,684,546	(6,007)	5,678,539	5,622,210	99.01%	45,539	5,667,749	99.81%
2015	5,950,064	(9,038)	5,941,026	5,903,688	99.37%	25,860	5,929,548	99.81%
2016	6,261,312	3,092	6,264,404	6,216,717	99.24%	31,974	6,248,691	99.75%
2017	7,023,037	(30,088)	6,992,949	6,969,596	99.67%	7,626	6,977,222	99.78%
2018	7,449,031	(7,018)	7,442,013	7,391,050	99.32%	32,338	7,423,388	99.75%
2019	8,058,938	-	8,058,938	7,994,311	99.20%	n/a	7,994,311	99.20%

Sources: Tarrant County Tax Office and Tarrant Appraisal District

Table 9

CITY OF WATAUGA
Water Revenue
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	*No of Customers	**Gallons Billed	***Water Revenue
2010	8,162	759,236,412	$ 3,633,149
2011	8,199	859,158,707	4,198,305
2012	8,169	696,350,699	4,526,971
2013	8,160	684,273,847	4,439,701
2014	8,196	672,400,560	4,342,748
2015	8,208	659,047,433	4,184,780
2016	8,255	677,806,287	4,491,891
2017	8,248	614,615,519	4,230,822
2018	8,281	683,681,464	4,564,691
2019	8,318	598,933,474	4,260,894

*Source: Table 18 - # of Water Consumers
**Source: Monthly E-mail sent by D. Defriese, Utility Billing Supervisor
***Source: Comparative Summary of Monthly Water Billings

Table 10

CITY OF WATAUGA
Principal Water Customers
As of September 30, 2019
(Unaudited)

Customer Name	Gallons Consumed (000)	Total	Dollars Billed	Total
Park Vista Townhomes	17,427	2.91%	$ 124,331	2.92%
Daybreak Venture	6,408	1.07%	28,400	0.67%
Denton Hwy. Laudromat	3,688	0.62%	24,613	0.58%
BISD 045-02	2,950	0.49%	19,675	0.46%
BISD 045-01	2,742	0.46%	19,464	0.46%
TPCMW, Inc.	1,909	0.32%	12,846	0.30%
Lifestyle Christianity	1,720	0.29%	11,482	0.27%
Kwik Kar Wash	1,613	0.27%	11,935	0.28%
Modern Wash	1,568	0.26%	10,563	0.25%
Watauga 377	1,548	0.26%	10,821	0.25%
Top Ten Total	41,573	6.94%	$ 274,130	6.43%
City Total	598,933		$ 4,260,894	

Table 11

CITY OF WATAUGA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

	Governmental Activities					Business-Type Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Sales Tax Revenue Bonds	Unamortized Bond Premium	Other Obligations	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	Total Primary Government	Percentage of Personal Income [b]	Per Capita [b]
2010	3,965,000	7,090,000	1,165,000	-	813,476	6,815,000	230,000	111,599	20,190,075	3.41%	827
2011	3,560,000	10,440,000	985,000	79,988	767,230	5,800,000	2,780,000	141,809	24,554,027	4.63%	1,087
2012	3,190,000	9,895,000	800,000	74,400	718,903	4,740,000	10,380,000	519,658	30,317,961	5.73%	1,346
2013	4,950,000	6,940,000	610,000	68,826	668,400	3,630,000	9,950,000	477,594	27,294,820	5.02%	1,171
2014	4,430,000	9,620,000	415,000	156,516	615,629	2,480,000	9,505,000	435,530	27,657,675	5.16%	1,213
2015	3,745,000	8,925,000	-	146,123	560,479	1,275,000	9,050,000	393,467	24,095,069	4.33%	1,010
2016	3,045,000	14,120,000	-	329,067	502,847	-	8,595,000	351,403	26,943,317	4.54%	1,071
2017	2,335,000	13,195,000	-	308,685	442,622	-	15,415,000	583,305	32,279,612	5.46%	1,322
2018	1,605,000	19,040,000	-	593,220	379,687	-	14,655,000	546,745	36,819,652	5.92%	1,456
2019	1,105,000	18,085,000	-	581,822	313,920	-	21,910,000	982,265	42,978,007	4.98%	1,226

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[b] See Table 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Table 12

CITY OF WATAUGA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

	Governmental Activities			Business-Type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	Total Primary Government	Less: Amount[a] Restricted for Debt Service	Percentage of Actual Taxable Value[b] of Property	Per Capita[c]
2010	3,965,000	7,090,000	-	6,815,000	230,000	111,599	18,211,599	525,921	1.75%	751
2011	3,560,000	10,440,000	79,988	5,800,000	2,780,000	141,809	22,801,797	752,606	2.27%	970
2012	3,190,000	9,895,000	74,400	4,740,000	10,380,000	519,658	28,799,058	498,129	2.94%	1,226
2013	4,950,000	6,940,000	68,826	3,630,000	9,950,000	477,594	26,016,420	550,626	2.65%	1,115
2014	4,430,000	9,620,000	156,516	2,480,000	9,505,000	435,530	26,627,046	621,617	2.72%	1,133
2015	3,745,000	8,925,000	146,123	1,275,000	9,050,000	393,467	23,534,590	313,460	2.28%	1,009
2016	3,045,000	14,120,000	329,067	-	8,595,000	351,403	26,440,470	371,859	2.67%	1,120
2017	2,335,000	13,195,000	308,685	-	15,415,000	583,305	31,836,990	498,538	2.77%	1,314
2018	1,605,000	19,040,000	593,220	-	14,655,000	546,745	36,439,965	657,159	2.95%	1,543
2019	1,105,000	18,085,000	581,822	-	21,910,000	982,265	42,664,087	596,493	3.05%	1,795

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a] This is the amount restricted for debt service principal payments for the total primary government.

[b] See Table 5 for property value data.

[c] Population data can be found in Table 15

Table 13

CITY OF WATAUGA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2018
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Keller Independent School District	$ 649,855,320	2.77%	$ 18,000,992
Birdville Independent School District	397,327,084	7.55%	29,998,195
Tarrant County	266,375,000	0.68%	1,811,350
Tarrant County Hospital County	17,735,000	0.68%	120,598
Subtotal, overlapping debt			49,931,135
City direct debt			20,085,742
Total direct and overlapping debt			$ 70,016,877

Sources: Debt outstanding data provided by each governmental unit.
[a] For percentage of debt applicable to City, data prepared by the Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Table 14

CITY OF WATAUGA
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

		Water and Sewer Revenue Bonds						PDC Sales Tax Revenue Bonds[c]					
Fiscal Year		Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Total Revenues[a]	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2010		-	-	-	-	-	-	1,314,130	632,039	682,091	175,000	40,461	3.17
2011		-	-	-	-	-	-	1,409,944	763,885	646,059	180,000	35,355	3.00
2012		-	-	-	-	-	-	1,418,979	756,666	662,313	185,000	29,880	3.08
2013	e	-	-	-	-	-	-	708,356	702,898	5,458	190,000	24,136	0.03
2014		-	-	-	-	-	-	748,342	697,423	50,919	195,000	17,950	0.24
2015	f	-	-	-	-	-	-	789,696	596,121	193,575	415,000	4,052	0.46
2016		-	-	-	-	-	-	-	-	-	-	-	-
2017		-	-	-	-	-	-	-	-	-	-	-	-
2018		-	-	-	-	-	-	-	-	-	-	-	-
2019	f	-	-	-	-	-	-	-	-	-	-	-	-

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Source: Comprehensive Annual Reports and Official Statement

[a] Includes operating and non-operating revenues

[b] Excludes depreciation, amortization, interest expense and expenditures identified as capital

[c] Bonds are solely supported by a 1/2 cent sales tax approved at an election held in May, 1994 for the purpose of the City Parks and Recreation.

[d] In April, 2008, the City issued $2,430,000 in GO Refunding Bonds to refund $2,400,000 of outstanding Series 1996 Waterworks and Sewer System Revenue Bonds.

e In May, 2012, voters approved a reallocation of 1/4 cent sales tax to the Street Maintenance Fund for a period of 4 years, effective October 1, 2012. The fund balance in the PDC operating fund is sufficient to pay off the remainder of the bond.

[f] Final Debt Service payment made in FY2015. The Parks Development Corporation name changed to Economic Development Corporation in FY 2018-19.

Table 15

CITY OF WATAUGA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income(3)	Median Age(4)	School Enrollment(5)	Unemployment Rate(6)
2010	24,250	591,870	24,407	32.0	3,735	8.1%
2011	23,497	530,868	22,593	32.5*	4,864	8.5%
2012	23,497	529,387	22,530	32.9	4,852	7.9%
2013	23,331	543,776	23,307	34.5	4,933	7.0%
2014	23,510	536,240	22,809	33.5	4,755	5.8%
2015	23,331	556,351	23,846	33.7	4,529	5.0%
2016	23,600	593,469	25,147	34.7	3,851	4.1%
2017	24,228	591,592	24,417	34.9	5,380	4.1%
2018	23,610	621,939	25,280	34.2	5,650	3.7%
2019	23,770	862,581	35,050	34.5	5,172	3.3%

Table 16

CITY OF WATAUGA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2019			2010		
Employer	Employees (1)	Rank	Percentage of Total City Employment(2)	Employees (1)	Rank	Percentage of Total City Employment (3)
Super Target	260	1	4.13%	280	1	4.93%
Birdville ISD	233	2	3.70%	200	2	3.52%
City of Watauga	230	3	3.65%	190	4	3.35%
North Pointe Healh & Rehab	100	4	1.59%	122	6	2.15%
Albertsons	92	5	1.46%	190	3	3.35%
Fresco's	75	6	1.19%	80	9	1.41%
Keller ISD	75	7	1.19%	90	7	1.59%
Chili's Grill & Bar	-	0	0.00%	80	8	1.41%
Harvest Christian School	65	8	1.03%	210	5	3.70%
Service Response Team	59	9	0.94%	-	0	0.00%
Cotton Patch Café	56	10	0.89%	50	10	0.88%
Total	1,245		21.42%	1,492		26.29%

Source:

(1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification annually

(2) For 2019, used NCTCOG 2017 estimates of 6,295 obtained from the Bureau of Economic Analysis and U.S. Census Bureau, analyzed by NCTCOG.

(3) For 2010 City Employment is estimated at 5,676 obtained from Sites on Texas, Demographic data for 2007 by Experien /Applied Geographic Solutions

Table 17

CITY OF WATAUGA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
Last Ten Fiscal Years
(Unaudited)

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government and Administration	30.00	30.50	31.50	30.25	31.25	31.65	31.65	32.90	31.90	31.90
Public Safety										
Police Division	58.75	59.25	59.25	51.75	49.75	49.85	49.85	48.85	47.60	47.60
Fire/EMS Division	22.00	22.00	22.00	21.25	21.00	21.00	21.00	21.00	21.00	21.00
Culture and Recreational	10.50	10.50	10.50	10.25	9.25	8.50	8.50	8.50	8.50	8.50
Library	13.25	13.25	13.25	13.00	13.00	12.00	12.00	12.50	12.25	12.25
Water/Sewer/Drainage	33.75	34.25	34.25	36.00	36.00	33.25	33.25	33.25	32.25	32.25
Fleet Services	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Building	8.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00	7.00
Parks Development**	11.50	11.50	11.50	12.00	12.00	8.75*	8.75	8.75	6.75	6.75
Total	191.75	193.25	194.25	185.50	182.25	166.25	175.00	175.75	170.25	170.25

Source: City Budget Office.

Table 18

CITY OF WATAUGA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Calls for Service	16,804	13,560	10,976	9,993	8,127	6,565	8,279	10,464	9,247	10,543
Municipal Citations Issued	11,963	17,122	17,074	13,576	8,650	7,961	8,781	3,999	3,449	5,410
Fire/EMS										
EMS Calls	1,082	836	1,043	1,011	675	1,133	1,395	1,387	1,369	1,475
EMS Average Response Time (min)	3.50	3.50	3.40	3.50	3.20	3.60	3.47	3.50	3.50	3.46
Ambulance Transports	870	698	848	845	846	946	1,039	1,063	942	1,059
Fire Calls	690	557	392	693	675	815	759	730	863	707
Fire Average Response Time (min)	2.58	4.70	4.80	4.60	4.80	413.00	4.07	3.50	4.30	4.59
Fire Inspections	269	106	136	181	460	329	336	544	691	678
Public Works										
Lane Miles Maintained	88	88	88	88	88	88	88	88	88	88
Miles of Curb and gutter maintained	168	168	176	176	176	176	176	176	176	176
Parks and recreation										
Park Acres Maintained	119	119	119	119	119	119	119	119	119	119
Athletic Fields Maintained	8	10	10	10	10	10	10	10	10	10
Community Center Memberships	1,372	1,237	1,320	1,272	1,271	1,063	1,004	988	1,079	1,025
Program/Class/League Attendance	40,938	65,282	91,244	41,775	71,542	46,720	65,005	72,000	70,000	70,000
Library										
Number of Programs Offered	693	842	853	1,086	1,155	1,144	1,244	1,326	1,844	1,848
Number of School Visits	8	13	36	57	63	64	61	49	65	64
Number of Books in Collection	65,517	67,614	65,289	73,592	78,990	80,361	79,751	79,283	80,216	80,116
Number of Media in Collection	16,389	17,199	16,700	18,806	20,806	20,719	22,530	23,148	24,499	25,461
Electronic Format Materials	53	53	54	52	55	52	52	50	49	49
Ebooks & Audiobooks	-	-	11,674.00	13,524	12,632	20,253	23,765	21,733	22,793	30,169
Water and Sewer										
Number of Water Consumers	8,162	8,199	8,169	8,200	8,196	8,508	8,238	8,248	8,281	8,318
Average daily consumption (mil gal)	2	2	2	2.3	2.1	2.2	2.2	2.0	2.5	2.0
Amt of sewer line inspected (Linear Ft)	3,500	3,800	6,000	8,000	21,500	9,665	8,000	8,900	19,100	2,100

Sources: Various city departments.
Note: Indicators are not available for the general government function.

Table 19

CITY OF WATAUGA
CAPITAL ASSETS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	11	12	12	12	12	12	12	12	16
Animal Control Facility	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	85.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0
Streetlights	703	703	703	703	703	703	703	703	703	781
Traffic signals	11	11	11	12	12	20	20	20	20	20
Parks and recreation										
Acreage (Developed & Undeveloped)[a]	124	124	124	124	124	124	124	124	124	124
Parks	10	10	10	10	10	10	10	10	10	9
Athletic Fields	8	10	10	10	10	10	10	10	10	10
Senior Centers	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	85.0	85.0	85.0	85.0	88.0	88.0	88.0	88.0	88.0	107.0
Fire hydrants	620	620	620	620	650	649	649	649	649	654
Storage capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Shared Ground Storage (owned by NRH)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Wastewater										
Storm sewers (miles)	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Sanitary sewers (miles)	85	85	85	85	85	85	85	85	85	85

Sources: Various city departments.